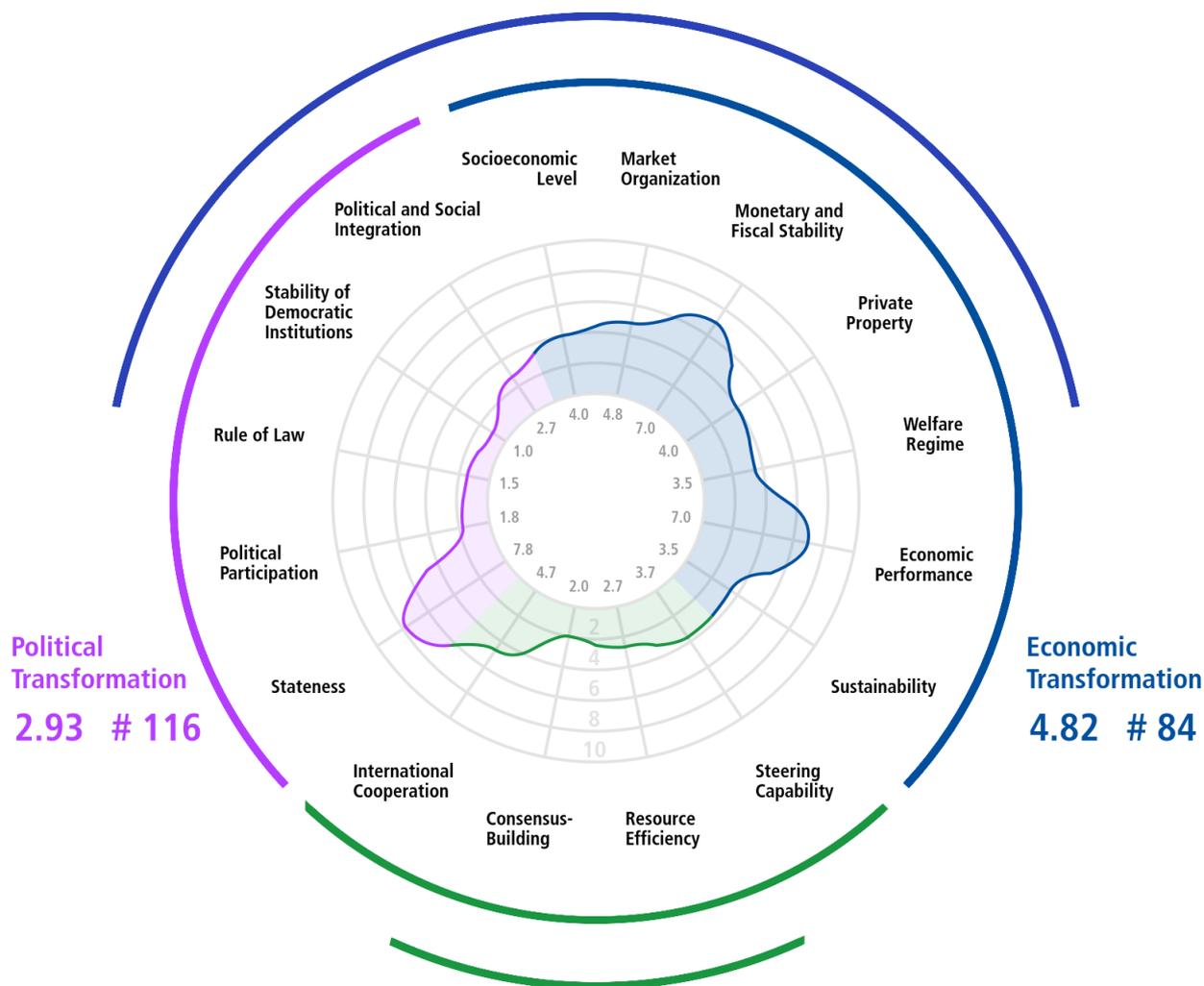


Cambodia

Status Index

3.88 # 105

on 1-10 scale out of 137



Political Transformation
2.93 # 116

Economic Transformation
4.82 # 84

Governance Index

3.03 # 115

on 1-10 scale out of 137

This report is part of the **Bertelsmann Stiftung's Transformation Index (BTI) 2026**. It covers the period from February 1, 2023 to January 31, 2025. 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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Contact

Bertelsmann Stiftung
Carl-Bertelsmann-Strasse 256
33111 Gütersloh
Germany

Sabine Donner

Phone +49 5241 81 81501
sabine.donner@bertelsmann-stiftung.de

Hauke Hartmann

Phone +49 5241 81 81389
hauke.hartmann@bertelsmann-stiftung.de

Sebastian Plate

Phone +49 5241 81 81263
sebastian.plate@bertelsmann-stiftung.de

Sabine Steinkamp

Phone +49 5241 81 81507
sabine.steinkamp@bertelsmann-stiftung.de

Key Indicators

Population	M	17.6	HDI	0.606	GDP p.c., PPP \$	7970
Pop. growth ¹	% p.a.	1.2	HDI rank of 193	151	Gini Index	-
Life expectancy	years	70.7	UN Education Index	0.484	Poverty ³	% -
Urban population	%	26.0	Gender inequality ²	0.506	Aid per capita \$	90.8

Sources (as of December 2025): The World Bank, World Development Indicators | UNDP, Human Development Report 2025. 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

Cambodia's political development in the period from February 1, 2023 to January 31, 2025 was characterized by ongoing far-reaching restrictions on party competition, crackdowns on the freedom of expression and the erosion of horizontal accountability associated effective separation of powers. While the democratic Candlelight Party – the legal successor to the Sam Rainsy Party (SRP) – still took part in the 2022 local council elections and won 22.2% of the vote nationwide, it was banned from taking part in the 2023 parliamentary elections. Ultimately, only parties that were not competitive with the Cambodian People's Party (CPP) took part in these elections. As a result, the ruling party won 120 seats, while five more went to the royalist National United Front for an Independent, Neutral, Peaceful and Cooperative Cambodia (FUNCINPEC) party, which supports the government rather than seeing itself as being in the opposition. Immediately after the elections, Hun Sen stepped down as prime minister after more than 38 years in office and handed power to his eldest son, Hun Manet (born in 1977), who had recently ended his military career as a four-star general. Many other long-serving ministers also stepped down in favor of their sons or other family members, particularly in the Ministry of the Interior and Defense. Hun Sen nevertheless remains Cambodia's most powerful politician. As president of the CPP, elected for life, and president of the Senate (elected for a six-year term in 2024), he holds highly influential formal positions, enabling him to continue to make key political decisions.

The generational change in government offices has not yet led to any significant change in how power is exercised, even though some observers detect a more technocratic governing style among the new actors. On the contrary, it is hard to overlook signs of a continuing, massive vulnerability to corruption and the presence of mafia-like companies that are obviously tolerated by the regime. The repression in 2024, with mass arrests of critics of cross-border development cooperation in the Cambodia-Laos-Vietnam Development Triangle Area (CLV-DTA), again showed that the freedom of expression enshrined in the constitution is still not guaranteed by the government. The

foreign policy sphere has also seen continued continuity in the close relationship of dependency with the People's Republic of China. At the same time, Cambodia is becoming increasingly assertive toward its eastern neighbor, Vietnam.

Cambodia's market economy remains dominated by powerful actors, most of whom use political influence to gain market advantages and impede regulatory effectiveness. Overall, in the years following the pandemic, the country's economy has presented a mixed picture. On the one hand, the country has been growing again since 2021 – more than 5% a year in 2022 and 2023 – and has successfully curbed the rise in inflation. On the other hand, tourism revenues remain far from their pre-crisis levels, while private debt has skyrocketed in recent years, a trend unlike that in other Asian countries. Cambodia's development paradigm continues to focus primarily on economic growth, while far too little attention is still paid to more inclusive approaches to development. The further expansion of welfare-state structures, especially with respect to the health care system and basic social assistance, was a positive development, as was the new environmental code that took effect in 2024 and gives hope for a somewhat more sustainable use of Cambodia's natural resources. However, the implementation of existing laws remains a major challenge for Cambodia's public administration, and hence the impact of legislative activities should not be overestimated.

History and Characteristics of Transformation

Following the 1991 Paris Peace Accords, the United Nations Transitional Authority in Cambodia (UNTAC) cleared the way for the country's first liberal-democratic constitution, which took effect in 1993. The political transition in the 1990s was characterized by instability, political conflict, corruption, violence and the repression of opposition forces. The coalition government formed by the post-socialist Cambodian People's Party (CPP) and the royalist National United Front for an Independent, Neutral, Peaceful and Cooperative Cambodia (FUNCINPEC) party was unstable from the beginning. In 1997, Hun Sen (CPP) ousted his Co-Prime Minister Prince Norodom Ranariddh in a bloody coup d'état. Cambodia's accession to the Association of Southeast Asian Nations (ASEAN) was postponed amid large-scale international criticism of Cambodian politics and pressure exerted by external donors on the government to allow a return to pluralistic political practices. By the end of the decade, Cambodia had fallen back into an autocratic system that, due to regular, unfree elections, could at best be described as a facade democracy. At least some degree of stability was achieved after the official dissolution of the Khmer Rouge in 1998.

Hun Sen, who gradually marginalized all political opponents within and outside the CPP, became its central and most powerful figure. He effectively took broad control of the security apparatus, the civil service, all TV stations, most radio stations, major newspapers, the electoral administration and the judiciary. The CPP remains the largest party, with a well-established patronage network. To challenge the ruling party more effectively, the Sam Rainsy Party (SRP) and the Human Rights Party (HRP) combined their limited resources to form the Cambodia National Rescue Party (CNRP) in 2012, led by Sam Rainsy and Kem Sokha. In the 2013 elections,

the CNRP emerged as a strong competitor to the ruling party. Many national and international observers agreed that Hun Sen's narrow victory depended on unfair voting conditions. The CNRP subsequently boycotted parliament for nearly a year, taking its seats only after securing several concessions.

A series of politically motivated trials against dissidents and elaborate judicial attacks on independent media outlets have severely curtailed the freedom of opinion. In November 2017, the Supreme Court dissolved the CNRP in a purely political trial. The ruling CPP took the majority of the CNRP's redistributed commune council seats and consequently won all seats in indirect Senate elections in February 2018. In July 2018, the CPP won all seats in that year's parliamentary elections, transforming Cambodia's political system from a facade democracy to a de facto one-party state. The system is also characterized by strong dynastic tendencies.

The process of economic liberalization was underway before political transformation accelerated in the late 1990s. Significant progress has been made in recent years. Annual growth rates have consistently exceeded 5% since 1991. With annual GDP growth averaging about 7% between 2010 and 2019, Cambodia emerged as one of the fastest-growing economies in the world. This growth also had a positive effect on poverty reduction. Compared with other countries, Cambodia came through the pandemic relatively unscathed. The economic consequences – particularly the almost complete standstill in tourism and the drop in orders in the clothing industry – were successfully cushioned by various welfare-state interventions.

As a business model, Cambodia has established itself as China's extended workbench, particularly in the apparel, footwear and bag industries. This approach requires close integration into Chinese-dominated supply chains and access to the primary sales markets in the United States and Europe. In the past few years, the most positive development has been the successful implementation of fiscal and monetary policy reforms. However, social inequalities persist, and extensive environmental destruction remains ongoing. Cambodia still relies heavily on the apparel industry, although government efforts to diversify the country's industrial sector have intensified in recent years. The main obstacles remain a severe shortage of skilled workers and affordable energy, as well as inadequate transport infrastructure.

Over the past decade, Cambodia further expanded its close partnership with the People's Republic of China, resulting in heavy economic and political dependence. At the same time, relations with the United States and the European Union continued to deteriorate.

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

Generally, the state's monopoly on the use of force covers all Cambodian territory. On the one hand, territorial enclaves have not existed since 1998, when the last Khmer Rouge troops surrendered in the Cambodian-Thai border region. Since then, former communists have again lived in Cambodia, especially in the provinces of Oddar Meanchey and Pailin. Former Khmer Rouge officials who were incorporated into the Cambodian People's Party (CPP) in the 1990s now occupy positions in the provincial (and central) governments. In the eastern provinces of Cambodia, on the other hand, Vietnamese security forces apparently operate on Cambodian territory more frequently. However, this is possible only with the tolerance of at least local Cambodian authorities, regardless of the motives – for example, due to these forces offering administrative assistance, or because of corruption. Similarly, although criminal organizations operate in certain areas of Cambodia, they do not challenge the state's monopoly on the use of force, instead operating in spaces left to them for mutual benefit.

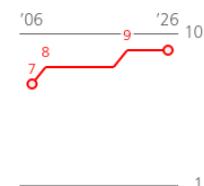
In Preah Sihanouk province, the Cambodian Ream Naval Base has been expanded in recent years to include a pier that satellite images from 2023 and 2024 suggest can also be used by the Chinese navy. The Cambodian government denies that Ream has become in part a permanent military base for a foreign power, which would be prohibited by the Cambodian constitution. However, even if Ream were to take on this role, it would not be a classic territorial enclave.

The roots of the Cambodian nation go back more than 1,000 years to the beginnings of the Angkorian civilization in 802. As the empire declined from the late Middle Ages to modern times, Cambodia – in order to survive pressure from Vietnam in the east and Siam (now Thailand) in the west – found it necessary to become a French protectorate in the 19th century. After independence from France in 1953, the concept of a unified nation-state increasingly lost recognition amid conditions of extreme violence and fragility, beginning with the civil war in 1968 and ending in the 1990s.

Question
Score

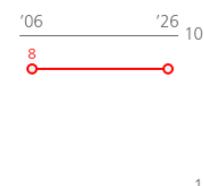
Monopoly on the
use of force

9



State identity

8



Because the current regime is the longest-lasting since World War II, national consciousness and patriotism have also regained significance. In this regard, Cambodia benefits from being the most homogeneous country in Southeast Asia in terms of ethnic groups, religions and languages, as this lowers the likelihood of fundamental conflicts over who belongs to the nation and who does not. In addition, Article 31 of the constitution, adopted in 1993, guarantees all citizens the same rights “regardless of race, color, sex, language and religious belief.” In particular, members of Indigenous peoples, the Cham ethnic minority and other groups formally enjoy full citizenship rights.

In contrast, the lack of differentiation between ethnicity and nationality is extremely problematic for the Vietnamese minority. Members of this minority face very significant hurdles in becoming Cambodian citizens through naturalization, even though certain legal possibilities exist. Consequently, up to 750,000 stateless ethnic Vietnamese live in Cambodia without prospects of obtaining citizenship. Usually, ethnic Vietnamese lack birth certificates and identity cards, even though many long-term residents or their children are entitled to Cambodian nationality. However, many of them cannot provide the required documentation. For example, without birth registration documentation, children cannot substantiate their legal status. Thus, many of them are unable to attend public schools because schools require birth certificates for enrollment. Being illiterate in the Khmer language, ethnic Vietnamese fail to meet a major precondition for naturalization. In addition to this state discrimination, ethnic Vietnamese find it difficult to integrate socially because of a high degree of anti-Vietnamese xenophobia among the Khmer ethnic majority.

In Cambodia, the legal order and political institutions are largely defined without interference from religious dogma. According to the Cambodian constitution, “Buddhism shall be the religion of the state” (Article 43). This reflects the fact that about 95% of the population is Buddhist. Explicit references to Buddhism in the constitution are rare. Buddhism’s patriarchs sit on the throne council that elects the Cambodian king, underscoring the faith community’s traditional relationship with the monarchy (Article 13). According to Article 68 of the constitution, the state is tasked with promoting and developing Pali-language schools and Buddhist institutes, indicating a certain preference over other religions. At the same time, the constitution provides for freedom of belief and religious worship, provided such freedom neither interferes with others’ beliefs and religions nor violates public order and security. In line with this, the government’s National Committee for the Management and Development of Religions was established to oversee and coordinate religious affairs. It consists of representatives from various religious communities and works to promote religious tolerance in Cambodia.

Nevertheless, close ties between Cambodia’s two main Buddhist orders on the one hand and the regime on the other have contributed to a mutual stabilizing effect since the early 1980s. Although monks are ordered to remain politically “neutral,” only

No interference of religious dogmas

9



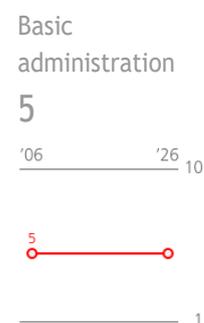
1

CPP loyalists among them can advance their clerical careers. In contrast, political dissidents within the monkhood have in recent years been harassed and persecuted; some have been sentenced to jail or defrocked, and others have fled abroad.

Cambodia's public administration is centralized, with the Royal Government of Cambodia (RGC), covering the state level, provinces and districts covering subnational functions, and communes managing the local level. Subnational levels have little decision-making power of their own, and are closely directed and controlled by central state bodies, with political loyalty rather than administrative competence often of paramount importance. Technically, the entire country is covered by basic administration functions, but there is a clear urban-rural divide in terms of actual availability and quality of services due to the effects of corruption, red tape and poorly qualified personnel. This applies in particular to the provision of health care and education. Although children generally have access to primary education, attendance is not enforced by the authorities. In thinly populated rural areas, secondary schools are usually limited to district capitals that are difficult to access for outlying populations. Wide-ranging tertiary education options are available only in Phnom Penh, while most provincial capitals offer only private universities, if anything. In terms of health care, the situation is even more problematic. In most parts of Cambodia, no more than minimal health care functions are available. Consequently, people have to travel to the capital or abroad for emergencies and treatment by specialists, if they can afford it. Internal travel has advanced significantly in recent years thanks to the construction and expansion of numerous overland roads. This makes it much easier for rural residents to access services in provincial capitals and Phnom Penh.

The central authority for tax administration is the General Department of Taxation; downstream tax authorities are found only at the provincial level and – as an exception – in Phnom Penh's municipalities. A similar structure is found in the judiciary. Each province has a court of first instance, while the Court of Appeal and the Supreme Court are also located in the capital. However, the courts' capacity is generally considered completely inadequate to meet the demand for legal services in Cambodia.

Overall, most quantitative indicators show steady improvement in basic public services over time. According to the World Bank, 36.7% of the population had access to sanitation in 2022, up from 23.4% in 2013. In the same period, the share of people with access to a water source increased from 23.7% to 29.1%, while the share with access to at least basic sanitation climbed from 47.5% to 76.7%. Similarly, more people had access to a water source in 2022 (78.0%) than in 2013 (69.3%). While only 42.3% had access to electricity in 2012, that share more than doubled to 92.3% in 2022. Compared with its regional neighbors, however, Cambodia remains an underperformer on these indicators.



2 | Political Participation

The 1993 constitution reestablished a parliamentary monarchy in which voters elect members of the National Assembly, the lower house of parliament, every five years. Since 2002, voters have also chosen members of the commune councils, which in turn elect the members of the Senate, the upper house of the Cambodian legislature, for six-year terms. Because the CPP has always won more than half of all votes and mandates in the commune council elections (since 2022, it has held an absolute majority in 1,648 of the 1,652 commune councils), it also dominates the Senate, with 57 of 62 deputies.

Until 2013, manipulation of voter lists was the most important factor in the ruling CPP's electoral success. The CPP, along with the state apparatus, also fully controls the national election committee (NEC), which is responsible for organizing elections. With the introduction of a tamper-proof voter registration system in 2016, the regime removed the most important lever that had more or less guaranteed its victories to date, as intimidation and dominance in electronic media had become increasingly ineffective over the years.

The regime countered the real risk of electoral defeat by banning the only relevant and then-popular opposition party, the Cambodia National Rescue Party (CNRP), through a court order in November 2017. The 2018 parliamentary elections led to a one-party parliament for the first time since the socialist 1980s. This changed only minimally in the 2023 elections, as another party, the royalist National United Front for an Independent, Neutral, Peaceful and Cooperative Cambodia (FUNCINPEC), is now represented in parliament with five of 125 seats. Two months earlier, the Candlelight Party, founded in 1995 by opposition politician Sam Rainsy under a different name and inactive for several years in favor of the CNRP, had been banned from participating on pretextual formal grounds. In view of its electoral potential, it would have had a good chance of winning about 20 to 25 seats.

This pattern is also likely to set the tone for the coming years. In addition to the CPP, other parties (individuals are not allowed to stand as independent candidates) may participate only if they present themselves as pro-government, such as FUNCINPEC, or if they are too insignificant to pose a threat to the CPP. Otherwise, they face the same threat as the CNRP and, most recently, the Candlelight Party. Therefore, elections in Cambodia are little more than a pretense of democratic competition and serve only to give the CPP sham legitimacy internally and externally.

Free and fair elections

2



Even after his resignation as prime minister, Hun Sen remains the most powerful individual in Cambodia. He was elected president of the ruling CPP in 2015. As long as the CPP wins a relative majority in parliamentary elections, he has the right to nominate the prime minister even if a coalition of smaller parties were to hold an absolute parliamentary majority (Article 119 of the Cambodian constitution). As party leader, he continues to control all CPP deputies in the Senate and the National Assembly, since any mandate requires party membership, which can be terminated at any time by party committees controlled by Hun Sen. Because of the CPP's strong discipline, the last such termination occurred in 2001. It is unsurprising that Hun Sen has not been publicly criticized by any other party member for at least 25 years, which further underscores his prominent position.

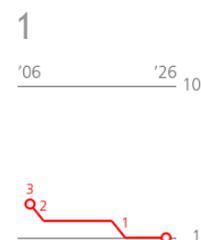
In April 2024, Hun Sen was also elected president of the Senate for a six-year term, meaning he formally controls the legislative process and is also the deputy of the king, who serves as Cambodia's head of state. Even though he has made great efforts in recent years to give his actions a legalistic appearance, Hun Sen is, in fact, above the law. During the major 2023 cabinet reshuffle, he nevertheless showed that he respects the CPP's internal patronage networks, as long as they are subservient to his and his family's interests. First and foremost, this applies to the interior minister, Sar Sokha and the defense minister, Tea Seiha, who inherited their positions from their fathers, much as Cambodia's current prime minister, Hun Manet, inherited his position from Hun Sen.

The Cambodian constitution stipulates that its citizens have the right to form and join independent political and civic groups (Article 42). However, only pro-CPP individuals and those with apolitical purposes are able to take full advantage of this right. Thus, the mere existence of numerous microparties and regime-aligned organizations creates what is only an illusion of vibrant social diversity. In August 2024, only 21.6% of the 6,374 local associations and NGOs registered with the Ministry of Interior were functioning.

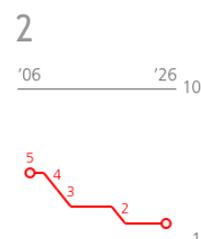
In recent years, there have been repeated instances of intimidation and repression of independent organizations. This is usually based on the Law on Associations and Non-Governmental Organizations (LANGO), which requires these groups to remain politically neutral – a requirement that is not clearly defined and therefore gives the regime enormous room for interpretation. As a result, several organizations and NGOs have kept a low profile for years and have practiced self-censorship. Public gatherings that could be even remotely construed as political and are not initiated by the regime are virtually impossible to hold outdoors.

One typical case was the 2024 reaction to a report produced by the independent labor rights organization Center for Alliance of Labor and Human Rights (CENTRAL). Among other things, the report provided important “shadow data” and documented obstructions to freedom of association, including verbal intimidation, threats, harassment and blacklisting, which it says have “severely” affected independent

Effective power to govern



Association / assembly rights



unions' ability to function. Following the report's publication, many unions widely considered to be government-aligned initiated an apparently coordinated effort urging Cambodia's Interior Ministry to investigate CENTRAL's operations and finances. In public protests, they accused CENTRAL of "damaging the country's international reputation" and "impacting the national economy and the welfare of workers, purportedly at the behest of foreign donors."

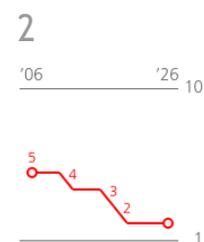
According to Article 41 of the constitution, "Khmer citizens shall have freedom of expression of their ideas, freedom of information, freedom of publication and freedom of assembly." At the same time, "no one shall exercise these rights to infringe upon the honor of others, or to affect the good customs of society, public order and national security." This stipulation has opened the door to widespread repression of any form of public criticism, often leading to criminal prosecution, with treason, defamation and incitement the most common accusations. In addition, the lèse-majesté law imposes fines and prison sentences of up to five years. In 2024, 10 Cambodian environmental activists were sentenced to prison terms for "plotting" and "insulting the king."

Under these general conditions, the once quite diverse media landscape has narrowed considerably in recent years, as most recently shown when the independent news agency Voice of Democracy (Khmer and English reporting) was shuttered by the Cambodian government in February 2023. Critical reporting appears only discreetly and mostly indirectly. Only a few independent media outlets still exist, including CamboJA News (English), Cambodianess (the English version of Thmey Thmey), Women's Radio FM103.5 (Khmer) and Beehive Radio (Khmer). Political restraint and self-censorship also determine people's interactions in everyday conversations. In recent years, the regime has taken particularly repressive action against social media users who have made critical comments about certain issues or state figures. Such cases have often resulted in prison sentences of several years in response to a single post, with the clear intent of making an example for others.

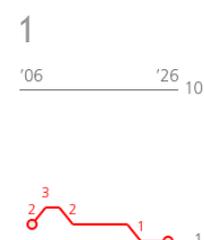
3 | Rule of Law

In Cambodia's electoral system, only parties, not individuals, have the right to stand for election. Any mandate won is linked to party membership. Because of the CPP's extremely hierarchical organization, Hun Sen, its president, can terminate anybody's membership at any time and thereby replace any member of the National Assembly, the Senate or the commune councils. In addition to the massive centralization of political decision-making processes, this effectively deprives Cambodia's legislative bodies of independence, as all elected officials are forced to show the utmost discipline and loyalty to Hun Sen. This arrangement also benefits his son, Prime Minister Hun Manet, who essentially needs only to subordinate himself to his father's special position of power. The same applies to the judiciary, whose positions – judges

Freedom of expression



Separation of powers



and prosecutors – are filled exclusively by lawyers who are members of the CPP, as well as to all other state institutions and agencies, including the Constitutional Council (with the exception of those members appointed by the king), the national election committee, the court of accounts and all subnational levels of government.

Over the past two decades, Cambodia’s judiciary – albeit formally differentiated – has increasingly been used by the government to give a legalistic appearance to repression against the opposition, journalists, trade unionists, conservationists, human rights activists and other dissidents. On January 31, 2025, the human rights organization LICADHO counted 59 political prisoners in the country’s system between the ages of 16 and 80. Although these figures had fallen compared to previous months, the level was still significantly higher than in previous years and decades. The most prominent case is the former opposition politician Kem Sokha, who was sentenced to 27 years in prison for treason in March 2023. Another example is the December 2024 conviction of Nation Power Party (NPP) President Sun Chanthy, a politician formerly of both the CNRP and Candlelight Party. The Phnom Penh Municipal Court found him guilty of inciting social disorder, sentenced him to two years in prison and removed his political right to stand for election.

Numerous other former opposition politicians, most notably Sam Rainsy, have been sentenced in absentia to long jail terms and would face immediate imprisonment if they returned home. Beyond political cases, Cambodia’s legal system is characterized by corruption as well as institutional and personnel overstretch. The party with better political connections or the one able to buy a favorable verdict from judges usually wins the case. The judicial reforms of recent years are merely intended to increase formal professionalism and quantitative efficiency, while more pressing issues such as political independence, transparency and accountability have not been a focus.

CPP politicians, civil servants and members of the security forces are largely protected from prosecution and exempt from external accountability. With the exception of a few technocratic experts, most people have to buy their way into middle- and higher-level positions and are generally obliged to pay regular kickbacks – which significantly exceed their regular income – to their direct superiors and the CPP. In this respect, the entire system is designed to promote bribery and corruption rather than preventing these practices. Grand corruption, particularly at the level of political decision-makers, seems to know no bounds in Cambodia, as the example of the bloated government apparatus shows. After the cabinet reshuffle in 2023, the number of secretaries and undersecretaries of state in the 28 ministries rose from an astronomical 641 to a galactic 1,422 officeholders (up 122%).

As with members of the National Assembly and the Senate, most of whom have no real decision-making power, holding formal office alone confers immunity. This in turn provides a robust safeguard for private business practices. Only those who act fraudulently, pay too little money or behave disloyally (which is rare) are prosecuted. Although corruption and bribery are clear violations of the law in Cambodia, the vast

Independent
judiciary

2

'06 _____ '26 10



Prosecution of
office abuse

1

'06 _____ '26 10

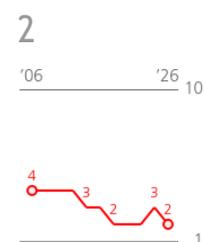


majority of actors must nevertheless participate in such practices, producing an enormous degree of discipline and loyalty within a regime that is otherwise comparable only to mafia organizations. The task of internal auditing falls to the Anti-Corruption Unit (ACU), which, contrary to its founding purpose and name, monitors the informal tribute system instead of combating it and – unnoticed by the public – usually sanctions violations internally.

Cambodia’s constitution contains a clear commitment to fundamental human and civil rights, although language related to who is in fact a Cambodian (rather than Khmer) citizen is problematic. Levels of discrimination based on sexual orientation are much lower than in most East and Southeast Asian countries. However, intersectional combinations of ethnicity (generally non-Khmer, specifically Vietnamese), gender (female), income at or below the poverty line, and disability can significantly increase the risk of exclusion and discrimination. Conditions in Cambodia’s prisons are often completely inadequate. Those suffering from mental illness commonly face stigma or even detention. In addition, many of the more than 100,000 people involved in online fraud activities, who usually come to Cambodia from third countries in the hope of finding well-paid jobs, are considered victims of human trafficking and modern slavery. Some of them have their passports confiscated by criminal gangs – many of which originate in mainland China – that have established a multibillion-dollar business in recent years with the connivance of the Cambodian government. Trafficked workers are also physically prevented from leaving the workplace until they have made a certain amount of money.

Political motives are also a recurring cause of civil rights violations. With the transition of power from Hun Sen to Hun Manet, the regime generally seems to respond far more nervously to perceived and actual criticism than it did just a few years ago. Apparently, the new prime minister – like many other new ministers – is seeking to gain respect and recognition, especially within his own ranks, through displays of “strength.” More generally, many of the actions and orders focused on suppressing any signs of dissent come from Hun Sen. In addition, high-profile acts of repression have repeatedly been carried out with the aim of maintaining a high level of intimidation among the population. In this respect, the state cannot be relied upon as a guarantor of human and civil rights in Cambodia.

Civil rights

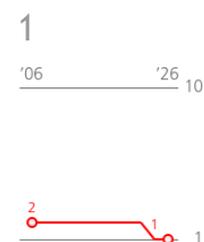


4 | Stability of Democratic Institutions

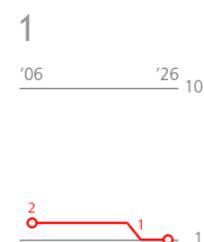
Although Cambodia is formally a liberal democracy with the structure of a parliamentary monarchy, state institutions have in fact been completely undermined by the ruling party's autocratic claim to power. The CPP, in turn, has been dominated for almost 30 years by Hun Sen, who has tailored a highly personalized system of rule to himself and is now gradually handing it to the next generation. However, because his son and successor as prime minister, Hun Manet, will be unlikely to serve as a perfect replacement for his father, there are already indications that the center of power is shifting away from a single person to a collective – notably the Hun clan and their in-laws. As in the past, all actors inside and outside the CPP face the risk of considerable repression if they do not recognize this claim to power. In particular, the royalist FUNCINPEC party in the 1990s and the liberal CNRP party in the 2010s were marginalized by Hun Sen because of their political competitiveness, and have long since ceased to play a significant role. In practice, the courts have become the regime's principal tool for eliminating actual or potential political opponents.

The only free and fair elections in the country have been those organized and conducted by the United Nations in 1993. By the time of Hun Sen's 1997 coup d'état at the latest, Cambodia had developed into a facade democracy; the forced dissolution of the CNRP in 2017 marked the relapse into a de facto one-party state. Under these conditions, democratically oriented actors have found it extremely difficult, or even impossible, to work toward a potential "Cambodian Spring." Even if some technocratic, reform-oriented politicians and officials are unlikely to have actively supported the autocratization of Cambodia in recent years, they had, and still have, little choice but to accept this democratic regression. After all, even the slightest deviation from the strategy set out by Hun Sen – not to mention hidden or even open objection – can cost a politician or civil servant not only their office but also the freedom and prosperity of their entire family. Many other parties, such as NGOs, even if they present themselves as liberal and pluralistic, are often organized hierarchically around one or a few leaders, with a lack of party institutionalization among successive opposition groupings over the past 30 years. During the last 10 years, several democratically minded representatives have left Cambodia permanently due to threats, intimidation or actual repression. The remaining actors usually have no choice but to accept the undemocratic conditions and exercise restraint and self-censorship.

Performance of democratic institutions



Commitment to democratic institutions



5 | Political and Social Integration

In line with its authoritarian self-image, the ruling Cambodian People's Party (CPP) sees itself as indissolubly united with the state. Accordingly, its aim is not to articulate and aggregate social interests but to convey the political will of the elite to the people. This is pursued less through dialogue or argumentation than through propaganda; questioning it can swiftly result in arrest and a prison sentence. In the party's internal view, elections serve to mobilize supporters, while also being a means of evaluating performance based on the results. Especially in sparsely populated areas of Cambodia, the bond between the party and the electorate resembles a classic clientelist dependency relationship due to the weaknesses of the public administration. Therefore, it is particularly difficult for other parties to compete with the CPP in those areas.

Despite the deterrent examples provided by the popular opposition CNRP, which was dissolved by court order in 2017, and the Candlelight Party, which as the only relevant opposition party was excluded from the 2023 national elections, efforts to break up the CPP's political monopoly persist. In October 2024, the Alliance for the Future, comprising five political parties – the Candlelight Party, the Khmer Will Party, the Cambodian Reform Party, the Grassroots Democratic Party and the Kampucheaniyum Party – chose the Khmer Will Party (KWP) as its representative in the Senate election that year. In addition, the previous year, former unionist Chea Mony (and brother of slain unionist Chea Vichea) founded the Nation Power Party (NPP) to challenge the CPP. The upcoming elections (2027 commune elections, 2028 parliamentary elections) will show whether the KWP and NPP will be able (and permitted) to establish themselves in the party system.

In recent years, individual ministries have repeatedly consulted with NGOs on legislative initiatives, drawing on their specialized expertise in the relevant policy fields. This “advocacy approach” is usually limited to technical issues in which the ministries themselves lack expertise of their own. In this regard, the involvement reflects necessity more than a desire to make legislative procedures fundamentally participatory. As a result, the actual political influence of interest groups is limited, and their mediating role between society and the state rarely comes into play. Cooperation among organizations occurs through a few umbrella organizations, on special occasions such as those related to human rights, and informally through networking events, primarily in Phnom Penh.

Most of these organizations are financed within the framework of international development cooperation. Especially those mandated to work on issues relating to human rights, democracy, environmental protection or corruption have faced severe government harassment in recent years. Some remain active, trying to work within the confines placed on them by the government, but their numbers are limited

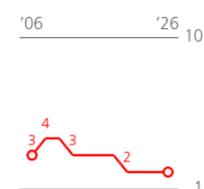
Party system

2



Interest groups

2



compared with the associations, interest groups and trade unions founded in the 1980s as socialist mass organizations. As regime-aligned claqueurs of state decisions, these mass organizations help give those decisions apparent legitimacy while persistently delegitimizing critical independent NGOs.

Since 2008, the Asian Barometer Survey – a project initiated by the Hu Fu Center for East Asia Democratic Studies at National Taiwan University – has conducted four surveys of social and political attitudes and behavior in Cambodia, most recently over four weeks in December 2021 and January 2022. The data indicate a clear tendency to approve of liberal and democratic principles. In 2021/22, 56.8% of 1,235 interviewees agreed with the statement “democracy is always preferable to any other kind of government,” down from 73.1% in 2015 when Cambodia still was a facade democracy (2012: 57.0%; 2008: 61.2%). At the same time, the share of interviewees who agreed with the statement “under some circumstances, an authoritarian government can be better than a democracy” more than doubled from 6.9% in 2015 to 14.1% seven years later. In all surveys, a clear majority of participants disapproved or strongly disapproved of the statement “we should get rid of parliament and elections and have a strong leader decide things.” However, this share dropped sharply to 58.1% in 2021/22 from 77.5% in 2015, 80.0% in 2012 and 72.8% in 2008. Similarly, only 59.4% of respondents (strongly) disagreed with the statement “only one political party should be allowed to stand for election and hold office,” in 2021/22, down from 78.5% in 2015. In 2021/22, 61.5% stated that economic development was definitely/somewhat more important than democracy, whereas 14.3% favored democracy. Similarly, more people (58.5%) agreed with the statement that “reducing economic inequality is definitely/somewhat more important than protecting political freedom,” while 19.6% saw it the other way around.

Social capital has developed inconsistently across regions in recent years. In rural areas, where around three-quarters of all Cambodians live, the level is persistently low. Trust in people beyond one’s own relatives and village is so weak that even agricultural cooperatives have scarcely developed despite the dominance of subsistence farming, though this also reflects the extent to which villages are coercively monitored by local CPP officials. Cooperation is not perceived as a win-win opportunity, but rather as a zero-sum game in which another’s advantage is tantamount to one’s own loss. Ultimately, many people are concerned with their status – consisting of recognition and respect – within the hierarchical subsystems of rural patronage networks, which must be enhanced or at least defended against others. For this reason, in interactions, Cambodians sometimes give the impression that they are exclusively concerned with personal advantage, and they negotiate the conditions of potential cooperation so hard in their own favor that it ultimately does not take place.

Particularly in urban areas and among better-educated Cambodians, a contrasting picture has emerged in recent years. Relationships are less marked by general mistrust, and many people recognize the potential advantages of cooperation in their

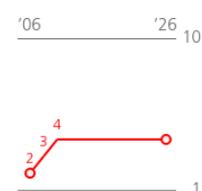
Approval of democracy

n/a



Social capital

4



professional and private lives. Genuine friendships in particular, long the exception because of the strong family orientation, are no longer unusual among young urban Cambodians. However, the regime still hampers the development of social capital through a sophisticated surveillance system – featuring numerous informants and monitoring of social media – that forces urban and rural Cambodians alike to be very cautious and reserved about political issues.

II. Economic Transformation

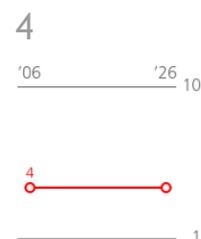
6 | Level of Socioeconomic Development

According to the Human Development Index (HDI), Cambodia has improved its development status over the past 10 years, increasing its score from 0.551 in 2012 to 0.600 in 2022. However, within the region, only Timor-Leste ranks lower in the HDI; Cambodia is ranked at 148th place. The loss to human development due to inequality has increased slightly in recent years, from 26.5% in 2012 to 27.0% in 2022. While no data on wealth inequality is available, the government has sought to reduce disparities in this regard by investing \$4.3 billion in social protection initiatives from 2016 to 2024, of which 7.5 million people benefited (almost half the population). According to the Asian Development Bank, roughly 18% of the population lived under the national poverty line in 2019. Poverty is least pronounced in the capital, Phnom Penh, and is deepest in the rural provinces of northern and eastern Cambodia, which are home to most of Cambodia’s more than 20 Indigenous peoples.

Over the past 10 years, Cambodia’s score on the Gender Inequality Index has steadily declined, reaching a score of 0.486 in 2022 and falling to the lowest position in Southeast Asia. In the labor market, women benefit from employment opportunities in the apparel industry, where 90% of about 920,000 workers (2024) are female. Their average monthly minimum wage was \$208 in 2025; workers usually share these wages with their families, who generally cannot live on subsistence farming alone. While more than half of all Cambodians were employed in agriculture in 2011, by 2021 just over one-third were.

Question
Score

Socioeconomic
barriers



Economic indicators		2021	2022	2023	2024
GDP	\$ M	36790.2	39994.5	42335.6	46352.6
GDP growth	%	3.1	5.1	5.0	6.0
Inflation (CPI)	%	2.9	5.3	2.1	-
Unemployment	%	0.4	0.2	0.2	0.3
Foreign direct investment	% of GDP	9.5	8.9	9.4	9.5
Export growth	%	6.1	21.3	-0.4	14.4
Import growth	%	1.9	18.6	-2.2	7.5
Current account balance	\$ M	-10892.9	-7582.0	552.3	228.1
Public debt	% of GDP	25.9	25.5	26.3	25.9
External debt	\$ M	20050.2	22473.8	22533.6	-
Total debt service	\$ M	2170.4	2498.2	2460.1	-
Net lending/borrowing	% of GDP	-5.2	-0.4	-3.3	-
Tax revenue	% of GDP	12.0	13.5	12.2	-
Government consumption	% of GDP	6.6	5.9	6.1	5.8
Public education spending	% of GDP	2.0	2.0	2.2	-
Public health spending	% of GDP	1.5	1.2	-	-
R&D expenditure	% of GDP	-	-	-	-
Military expenditure	% of GDP	2.3	2.1	2.1	-

Sources (as of December 2025): 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

Cambodia is formally a market economy. There are no significant restrictions on imports and exports, and state intervention in pricing is very rare. For three decades, the government has pursued a proactive economic policy characterized by macroeconomic planning, primarily regarding the country's further industrialization. For years, the government has made it a priority to guarantee the security of foreign investors' investments.

Nevertheless, restrictions on the market economy are significant because of an inadequate legal framework. Existing laws are usually poorly implemented, which often means that market players with good political connections have a clear competitive advantage. The Hun clan, in particular, holds majority and minority stakes in numerous companies in Cambodia. This practice characterizes the country's economic structure and to a lesser extent is emulated by other CPP politicians down to the local level and by members of the security forces.

These companies are often exempt from taxes and are not subject to significant state control. Gray markets are mainly fueled by unofficial imports into Cambodia, on which no customs duties or import VAT are levied by the authorities. Several sectors have been dominated by oligopolies for decades, resulting in a de facto suspension of free-market laws. The result is that a comparatively small number of large conglomerates today play outsized roles in the economy, with positions secured across sectors by political connections rather than by sectoral specialization or competence. Chinese companies have established their own economic spheres and generally operate independently of state regulation. The same applies to Cambodia's informal sector, which is one of Asia's largest, accounting for 89.4% of the total workforce.

In 2021, Cambodia was the last ASEAN member state to adopt the bloc's Law on Competition. This was the country's first antitrust law. Key provisions include strict rules against horizontal and vertical agreements that could disrupt market fairness. Horizontal agreements among competitors include practices such as price-fixing, limiting production, and unfairly allocating markets or customers. Vertical agreements involve entities on different levels of the supply chain and may include conditions such as resale price maintenance or exclusive purchasing requirements. The law also focuses on abuse of a dominant market position.

However, experts argue that the country still lacks explicit financial disclosure requirements, and that such measures are essential for accurately assessing market dominance and the competitive impact of business activities. Other significant challenges include the availability of trade and market-share information, as well as the need for transparency by the Cambodia Competition Commission (CCC) in processing transactions and conducting compliance checks. This is crucial for maintaining business confidence and ensuring that companies can adapt to and comply with the legal framework.

Market organization

3

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Competition policy

4

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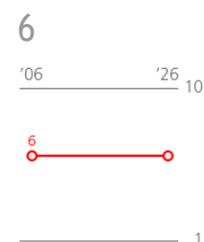
Furthermore, the framework's success will largely depend on the ongoing development of detailed regulations and clear guidelines to support its practical and fair implementation. In addition, Cambodia is not a member of the International Competition Network. Given the close intertwining of politics and business under the principle of "crony capitalism," as well as the country's low levels of bureaucratic efficiency, excessive corruption and lack of an independent judiciary, the Law on Competition's regulatory potential is likely to remain limited. Consequently, the law's effects will remain minimal unless the way power is exercised changes fundamentally.

Cambodia has been a World Trade Organization (WTO) member since 2004 and was a co-founding member of the Regional Comprehensive Economic Partnership (RCEP) in 2020. As a WTO member, the country enjoys most-favored-nation (MFN) status in international trade. While the latest simple average final bound rate was 19.3%, the country's simple average MFN applied rate was 9.4% in 2023. In addition to the ASEAN free trade agreements, Cambodia has signed bilateral agreements with the People's Republic of China, South Korea and the United Arab Emirates. In 2022, Cambodia's most important trade partners for exports were the United States (43.6% of all Cambodian exports), China (6.0%) and Japan (5.7%), whereas the primary sources of imports were China (34.9%), Vietnam (13.3%) and Thailand (12.8%).

Tariffs on imports into Cambodia consist of four rates: 0%, 7%, 15% and 35%. A 10% value-added tax applies to all imported goods, with some exceptions for companies located in special economic zones that import raw materials, which are also excluded from customs duties. Cambodia levies an export tax on various goods departing its borders, with rates ranging from 0% to 50% depending on the item category. At the same time, exported goods are generally VAT-exempt.

In addition to quantitative import restrictions and several formal regulations that mainly prohibit waste imports, non-tariff barriers still exist and impede foreign trade. According to World Bank data, in 2015 (more recent numbers are not available), imports had a coverage ratio of 82.8% and a frequency ratio of 72.9% for non-tariff measures, while Cambodian exports had a coverage ratio of 93.6% and a frequency ratio of 71.6%. The frequency ratio for non-tariff measures in the vegetable, animal, machines and electronics, and textiles and clothing sectors was 100% in each case at that time. The frequency ratio across all sectors was 72.9%, affecting 2,904 products in total.

Liberalization of
foreign trade

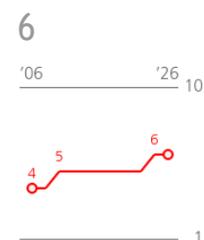


The Cambodian banking sector is a two-tier system comprising the public sector represented by the National Bank of Cambodia (NBC) – the country’s central bank – and the private sector. Under the Law on Banking and Financial Institutions, all banks must be licensed and supervised by the NBC. Cambodia’s banking sector has grown steadily since the 1990s. Despite the economic crisis caused by the pandemic, the sector’s overall development has remained in good shape because of an expanding middle-income population; a large, young demographic; new entrants and competition in the banking sector; and increasing economic activity and investment.

In December 2023, the banking sector included 58 commercial banks (holding 91% of all assets in the country, worth \$84.5 billion), nine specialized banks, four non-deposit-taking microfinance institutions, 83 microfinance institutions, 16 leasing institutions and 114 rural credit institutions. According to the National Bank of Cambodia, the asset growth (8.2%) and loan growth (4.2%) rates decelerated in 2023, while the deposit growth rate improved to 13%. Banks’ liquidity coverage ratio improved to 166.6% in 2023, well above the requirement of 100%, though some other liquidity indicators, including the ratios of liquid assets to total assets and liquid assets to deposits, showed moderate deterioration. Banks’ net profits after tax fell 45% because of higher interest expenses and provisions expenses; yet banks’ average capital adequacy level stood at 22.3%, higher than the minimum requirement of 15%, reflecting banks’ loss-absorption capacity if unexpected shocks were to materialize. Between 2014 and 2022, Cambodia’s bank capital-to-assets ratio grew from 13.8% to 14.9%, one of the highest such figures in the world. In 2022, 2.7% of all credits were non-performing loans (NPLs), up from 1.7% one year earlier. According to the National Bank of Cambodia, the banking sector’s non-performing loan ratio rose to 5.1% at the end of 2023.

A 2019 analysis by a Cambodian law firm concluded that although the central bank recognizes the importance of adhering to the Basel Accords as international banking supervision standards, its regulatory capital standards were not fully compliant with Basel II. At that time, the standards were seen as a mix of elements from Basel I, Basel II and Basel III. The Basel AML Index, an independent country ranking and risk assessment tool for the issues of money-laundering and terrorist financing, places Cambodia in the high-risk category compared with other global jurisdictions. Since 2021, in response to demands from the international Financial Action Task Force (FATF), Cambodia has undertaken a number of key reforms. Consequently, the FATF removed Cambodia from its gray list of countries with shortcomings in countering money-laundering, terrorist financing and proliferation financing in February 2023, followed four months later by Cambodia’s removal from the European Union’s list of high-risk third countries.

Banking system



8 | Monetary and fiscal stability

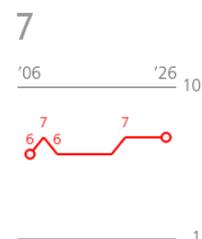
Most recently, Cambodia has reduced the significant pandemic-related increase in inflation. While the inflation rate was 5.3% in 2022, it fell to 2.1% one year later, roughly in line with the long-term average. The Cambodian riel has been loosely pegged to the U.S. dollar, with little fluctuation – mostly between KHR 3,900 and KHR 4,150 per USD 1 – for more than 25 years. According to the National Bank of Cambodia, this stable nominal exchange rate has helped mitigate imported inflation.

For years, the central bank has endeavored to promote the use of the Cambodian riel in the national economy and improve price stability. Measures include requiring traders to display prices in riel. In addition, dollar notes with a face value of \$5 or less have been withdrawn from circulation, and civil servants' salaries are paid only in riel. Nevertheless, dollarization remains a significant factor within the Cambodian economy. Within the financial sector, the degree of dollarization, measured by foreign currency deposits (FCD) relative to the broad money supply, remains stable at more than 80%, while the share of FCD in total deposits has declined only slightly in recent years and is still more than 90%.

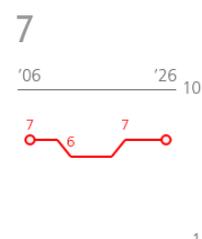
Despite its professional approach and successes in recent years, the central bank is only formally independent. Although she appears well qualified and professionally suited, the current governor, Chea Serey, took over the office from her father, who held it 1998 – 2023. Membership in the ruling CPP is mandatory for this position. Although there has been no publicly known government intervention in recent years, it is unlikely that the NBC could make decisions that would go against the government's interests.

In general terms, the government's budgetary policies support fiscal stability. External debt reached \$22.5 billion in 2022, almost twice the 2017 level. Total debt service rose from \$1.54 billion to \$2.5 billion between 2020 and 2022, reaching a level four times higher than in 2013. At the same time, total public debt increased only minimally from 25.2% to 25.7% of GDP between 2020 and 2023. This share is the second-lowest such figure in Southeast Asia after that of Timor-Leste. According to the National Bank of Cambodia, net borrowing fell from an all-time high of 7.0% of GDP in 2021 to 2.6% of GDP in 2023. Foreign exchange reserves have risen again, standing at \$17.2 billion in 2023, slightly higher than in the last pre-crisis year of 2019. According to the central bank, 51% of total reserves consist of foreign currency. For the first time in at least 10 years, the balance of payments was positive at \$553 million in 2023 (2022: -\$7.6 billion, 2021: -\$10.9 billion). Government consumption increased from 4.8% of GDP in 2019 to 8.1% in 2023 but is still one of the lowest shares worldwide. According to the National Budget Law 2025, state expenditure was to be a planned \$9.3 billion in 2025 (25.0% of GDP), down from \$9.5 billion in 2024 and \$9.8 billion in 2023, when the government significantly increased spending due to the pandemic.

Monetary stability



Fiscal stability



9 | Private Property

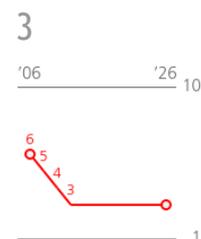
Cambodia recognizes private property in principle, but legal regulations to guarantee it are weak. Article 44 of the Cambodian constitution states: “All persons, individually or collectively, shall have the right to ownership. Only Khmer legal entities and citizens of Khmer nationality shall have the right to own land.” Although foreigners are thus officially forbidden from owning land in Cambodia, there are legal and semi-legal ways to circumvent this regulation.

Among Cambodian nationals, the most common property conflicts concern land ownership. The Cambodian Land Law of 2001 established five basic categories: private land, state public land, state private land, monastery land and Indigenous land. Controversies over land often stem from how an area is classified and whether the government, often with sufficient transparency, will change its classification after years. In addition, the law affirmed the right of people who had lived a “peaceful” and continuous existence for five years on the property before the law’s adoption to request a title of ownership.

In other words, Cambodians who had been living at a location since at least 1996 can be viewed as the legal owners of that land. However, that concept has been little respected and poorly implemented. Particularly due to the possibility of granting “economic land concessions” – that is, land leased by the government to a company or individual for clearing and agricultural development for a maximum of 99 years – people in urban and rural settlements face the risk of losing their land and homes. Further serious shortcomings in land management are caused by the cadastral system, which includes both soft and hard land titles. Any soft title can be overridden by hard titles issued by the central government. As a result, people may still lose their land, especially to investors, even if they have already been recognized as owners. At least the era of systematic land grabbing has come to an end, since the government stopped granting new licenses in 2012.

In September 2024, the General Department of Customs and Excise of Cambodia launched a new online system for recording intellectual property rights with the goal of facilitating interception at border controls. The Intellectual Property Rights Recordation System allows rights holders to proactively record information and documentation concerning their intellectual property rights with customs authorities. However, in Cambodia, the protection of intellectual property remains very weak due to structural deficits in implementing existing laws that are supposed to protect patents and copyrights.

Property rights



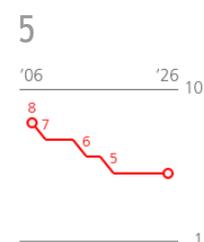
According to the U.S. Department of State, in both 2018 and 2022, Cambodia had 15 state-owned enterprises (SOEs): Electricité du Cambodge (EdC); Sihanoukville Autonomous Port; Telecom Cambodia; Cambodia Shipping Agency; Cambodia Postal Services; Rural Development Bank; Green Trade Company; Printing House; Siem Reap Water Supply Authority; Construction and Public Work Lab; Phnom Penh Water Supply Authority; Phnom Penh Autonomous Port; Kampuchea Ry Insurance; Cambodia Life Insurance; and the Cambodia Securities Exchange. There is currently no indication that the Cambodian government has plans to privatize any company.

In principle, private enterprises, including small and medium-sized enterprises, are generally allowed to compete with SOEs on equal terms. SOEs are also subject to the same taxes and value-added tax rebate policies as private sector enterprises. However, private companies usually face systemic disadvantages when they lack political support. Having a political patron is common in Cambodia to compensate for the lack of legal security and other structural obstacles caused by corruption and bribery. In this regard, the most prominent example is Electricité du Cambodge, which has tried for decades to defend its monopoly on electricity supply against any private initiative. The supervising Ministry of Mines and Energy is led by Keo Rattank, who previously led EdC as director and served as Hun Sen's personal assistant for several years.

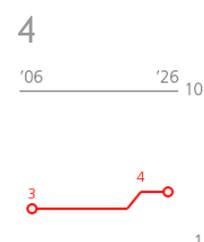
10 | Welfare Regime

According to World Bank data, the share of social sector spending as a share of GDP in Cambodia more than doubled between 2011 and 2012, from 4.6% to 10.5%, driven by increases in the areas of education and health care. However, this boost in spending was driven partly by across-the-board salary increases, with the average public sector wage now exceeding the average wage in the private sector for the same job. Nevertheless, Cambodia has also taken important steps to expand social health protection programs in recent years. In September 2023, six different schemes – either subordinated to the National Social Security Fund (NSSF) or the Health Equity Fund (HEF) – covered 6.3 million people (37.3%). Whereas more than 93% of the entire population lacked access to any social health protection scheme in 2009, this share sharply decreased to 43% in 2023. At the same time, life expectancy at birth dropped from 70.7 years in 2019 to 69.9 years in 2022, the lowest value since 2015. Further challenges remain. In 2021, Cambodia's public expenditure on health was 2.0% of GDP, up from 1.3% in 2013 but still one of the lowest such figures in Southeast Asia. Consequently, funding constraints make it difficult to expand coverage to social groups that are currently excluded from these programs. In addition, service providers often cannot provide appropriate care due to limited resources. Therefore, the share of out-of-pocket spending remains high, accounting for 64.4% of total health expenditures in 2019. This was the second-highest such share in Southeast Asia and the 15th highest in the world.

Private enterprise



Social safety nets



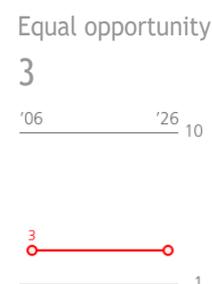
While Cambodia does not provide unemployment benefits, the country introduced pension provisions under the NSSF in October 2022. For the first five years of employment, contributions are set at 4% of wages, contributed equally by the employer and the employee to the fund. Employees are entitled to an old-age pension, an old-age allowance or a disability pension. In addition, a survivor's pension is available to family members of those entitled to one of the listed pensions. Employees are entitled to the old-age pension when they are at least 60 years old, are registered with the pension scheme and have made contributions to the pension scheme for at least 12 months.

Another pillar of the welfare state during the pandemic was a cash transfer program totaling about \$1.3 billion. It benefited more than 700,000 households affected by poverty nationwide. In 2024, this program was replaced by the Family Package Program, which is designed to be permanent. It includes cash support for pregnant women and children younger than 2, scholarships for students from impoverished families attending primary or secondary schools, cash assistance for people with disabilities, and cash assistance for people 60 and older.

According to the Cambodian constitution, “Khmer” citizens enjoy equal rights “regardless of their race, color, sex, language, belief, religion, political tendencies, birth origin, social status, resources and any position” (Article 32). However, this claim remains at odds with Cambodia's social structure, which continues to be strongly hierarchical. As a result, access to equal opportunities is effectively reduced or even denied for certain social groups. The most privileged are those who have acquired wealth through political connections or entrepreneurial skills – often both at the same time.

With its patronage networks, which remain particularly strong in rural regions, the ruling CPP has helped ensure that outsiders have had little chance of gaining state employment in recent decades. In addition, top political positions are predominantly reserved for men. In 2023, women made up 12.8% of National Assembly deputies and 17.7% of senators, 9.1% of ministers in the current cabinet of Prime Minister Hun Manet (three in absolute numbers), 22.0% of commune councilors, and 10.5% out of 1,652 commune council chiefs.

In 2023, women made up 47.0% of the labor force, the second-highest such figure in Southeast Asia. At least 60% of the country's micro, small and medium-sized enterprises are women-led; however, such entities remain predominantly micro-sized and informal. In contrast, the literacy rate for women (79.9%) was significantly lower than that for men (88.1%), while the total literacy rate was 83.8% – the second-lowest such rate in Southeast Asia. The situation of girls and young women in education has improved over the years, contributing to a balanced ratio of female to male enrollment at the primary (1.0), secondary (1.1) and tertiary (1.1) levels of education. However, access to education seems to be guaranteed only at the level of primary education, with a gross enrollment ratio of 111.4% in 2020. By contrast, with a gross enrollment ratio of 60.1% at the secondary level and 18.0% at the tertiary level, Cambodia has the second-lowest such shares in Southeast Asia.

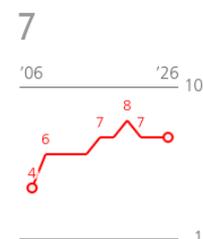


11 | Economic Performance

Several indicators suggest that Cambodia has at least partly overcome the pandemic-related economic crisis. In 2023, the country's GDP was \$31.8 billion, up from \$29.5 billion one year earlier (+5.4%). GDP per capita (on a purchasing-power parity basis) has grown continuously since 2020, reaching an all-time high of \$5,624 in 2023 (an increase of 4.3% compared to 2022). In 2023, for the first time in at least 10 years, the balance of payments was positive at \$553 million. Inflation decreased from a rate of 5.3% in 2022 to 2.1% in 2023. However, Cambodia has not yet reached the growth rates that characterized the country before the pandemic. Overall, what appears at first glance to be positive data reflects the turmoil that the Cambodian economy has been going through since 2020. The official unemployment rate was 0.2% in 2023 – the second-lowest such rate in the world, as recorded by the World Bank – but this does not accurately reflect the Cambodian reality of stagnation in the tourism sector and rising private debt. Private debt totaled \$3.3 billion, or 28% of GDP, in 2011; six years later, it had climbed to \$19.2 billion (87% of GDP), before skyrocketing to \$53.1 billion (180% of GDP) by 2022 – an increase that is unique throughout East and Southeast Asia, and is therefore unlikely to have been caused by the pandemic alone. The main reason for this was loose lending policies among many banks, which often waived collateral and calculated debt service projections under the most favorable assumptions.

Gross capital formation amounted to only 16% of GDP in 2023, the lowest level in at least 10 years. In contrast, although it has not returned to pre-pandemic levels, foreign direct investment (FDI) inflows have recently picked up again, reaching \$12.5 billion in 2023 after two consecutive annual declines. Nevertheless, this is the seventh-highest figure in the entire BTI Report. More than half of all FDI is currently flowing into non-garment industries, reflecting a national industrialization strategy that is shifting toward more energy-intensive, complex and value-added production. This, in turn, requires cheap energy supplies, skilled workers and efficient infrastructure, which together summarize Cambodia's major development challenges in the coming years.

Output strength



12 | Sustainability

After years of delay, Cambodia adopted its new Environmental Code in 2023, comprising 12 books and 865 articles. It establishes a legal and policy framework to protect the environment while supporting sustainable economic development. The code includes provisions to facilitate the conservation of natural resources and wildlife, build climate resilience, promote the renewable energy sector, and develop sustainable urban environments capable of effectively managing waste and pollution. It also contributes to the goal of reaching a point of carbon-neutral development by 2050. The Environmental Code took effect in June 2024.

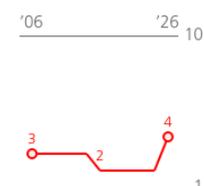
In addition, several other initiatives were launched in recent years, including a campaign to plant at least 1 million trees annually; the “Blue Sky” awareness campaign; and the “Clean up the Tonle Sap Lake” campaign, which aims to clean up garbage in the lake in order to protect its biodiversity. In May 2023, Cambodia officially launched its implementation of the United Nations Environment Programme’s Partnership for Action on Green Economy (PAGE) initiative. It reflects Cambodia’s efforts to advance the green economy and reinforces the government’s commitment to sustaining the country’s economic growth on an environmentally sustainable and socially inclusive trajectory.

However, due to the public administration’s notorious deficits in implementing existing laws, as well as strong tendencies among national and international companies to plunder natural resources, serious questions remain as to the practical effects that the Environmental Code, campaigns and international agreements will have in the coming years. At least some policies appear to be on track. For example, in 2024, more than 62% of Cambodia’s total energy consumption came from renewable sources. Further ambitions include a 25% increase in renewable energy generation and an 8.6% reduction in annual electricity demand through improved efficiency by 2027 (base year 2024).

Cambodia scored 0.496 on the U.N. Education Index in 2022, reflecting a slight improvement in recent years. However, this was still the second-lowest score in Southeast Asia. Education has been the government’s largest annual budgetary item for years. In 2024, \$900 million was allocated to the Ministry of Education, Youth and Sports (up 9.2% from 2023). This amounted to 3.0% of GDP and was twice as much as in 2013. Most funds flow into primary and secondary education, contributing to a steady increase in the literacy rate, which stood at 83.8% in 2022. According to the World Bank, during the period from 2009 to 2019, the net enrollment ratio at the primary education level increased from 81% to 90%, while the ratio at the lower secondary level rose from 31% to 47% and the ratio at the upper secondary level increased from 18% to 31%.

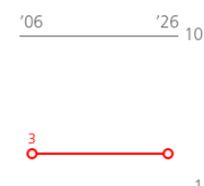
Environmental
policy

4



Education policy /
R&D

3



Nonetheless, shortcomings in the education sector remain significant. In 2019, only 19% of Cambodian fifth-graders were proficient in reading; in mathematics, the share was only 11%. In the 15 to 24 age group, only 20% had successfully completed secondary education in both 2014 and 2020, and 14% had obtained tertiary qualifications. The overall effects on the economy of this increased spending have not been clearly visible because, in the same period, the proportion of low-skilled workers fell only slightly, from 78% to 77%, while the proportions of medium- and highly skilled workers each rose by one percentage point, to 6% and 5%, respectively.

Most universities in Cambodia do not offer high-quality instruction. Most do not conduct significant research. Private “universities” are profit-driven enterprises that favor moneymaking over high-quality education, and state accreditation and supervision programs are almost nonexistent. Consequently, degrees obtained from such institutions are of comparatively low quality. Universities with internationally respected research output are rare due to very low levels of public spending on research and development. According to the Asian Development Bank (ADB), Cambodia spent just 0.12% of GDP on research and development in 2020. The ADB also recorded only 150 researchers per 1 million inhabitants in Cambodia that year. In the 2024 Global Innovation Index, Cambodia ranked 103rd out of 133 states; regionally, only Laos and Myanmar performed worse.

Governance

I. Level of Difficulty

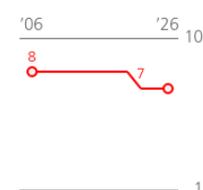
Over the past three decades, Cambodia's economic development has clearly been geared toward industrialization. While the combined apparel, shoe and bag industries are becoming less relevant, the country still struggles to lay the foundation for other industries. The education sector, in particular, still struggles to produce enough skilled workers. According to the World Bank, the share of low-skilled workers has remained nearly constant, at 78% in 2014 and 77% in 2020, while the share of average and highly skilled workers rose from 9% to just 11%. Electricity production has expanded significantly over the past decade, but prices remain much higher than in neighboring countries. In contrast, Cambodia has been quite successful in compensating for deficits in the logistics sector with numerous large-scale infrastructure programs. The Funan Techo Canal, in particular, has the potential to largely reduce Cambodia's dependence on Vietnam for international trade in the coming years, though at present it is beset with funding shortfalls, meaning the project is in limbo.

Natural disasters have not played a major role in Cambodia, perhaps apart from droughts, floods and recurring weather phenomena such as El Niño. However, Cambodia is classified as highly vulnerable to climate change and associated hazards. Extreme poverty has been significantly reduced over the last three decades and has lost relevance as a structural problem. Nevertheless, much of the country lives just above the poverty level, and poverty still occurs across rural regions in the north and east, primarily in the provinces of Ratanakiri, Mondulakiri, Kratie, Stung Treng and Preah Vihear. These regions are disconnected from many development trends in the country, which, in turn, poses a particular challenge for the Indigenous peoples living there.

Social organizations were largely unknown before the second half of the 20th century. In the second half of the 20th century, they were typically founded by ruling power apparatuses to mobilize supporters and were therefore occupied and controlled by the state. Buddhist institutions have been characterized by the greatest possible political loyalty to the autocratic government, even before the 1980s (with the exception of the Khmer Rouge period). Although these principles still apply today, as evidenced by the close links between sports associations, the Cambodian Red Cross and the regime, there are also independent organizations based on the liberal constitution of 1993.

Structural
constraints

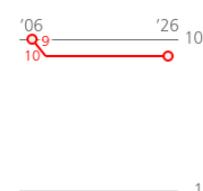
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Civil society
traditions

9



1

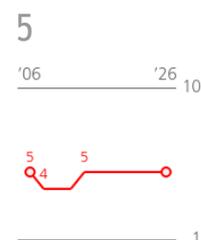
With the return of Cambodian exiles from Western countries in the 1990s and considerable financial support from bilateral and multilateral donors, an NGO sector emerged, particularly in Phnom Penh. However, many of these organizations were not reflective of civil society vitality, and indeed continue to lack this expression, as they are largely dependent on foreign funding. Given their goals and activities, some are essentially social enterprises that choose NGO legal status only to save on taxes. In the health and service sectors in particular, some perform important tasks not provided by the public sector because of low levels of state funding.

However, not all organizations are tolerated by the state in this way. Those that focus on political issues such as human rights, corruption or environmental protection quickly attract the regime’s suspicion and sometimes even repression. The significant rise in the number of political prisoners who do not belong to the political opposition reflects this. In response, some NGOs have altered their activities in recent years and engaged in self-censorship; a number of the sector’s representatives have even fled abroad. Others, primarily movements involving young monks, have disappeared from the scene entirely. The regime’s usual accusation of being “pro-opposition” aims to delegitimize these organizations.

Beyond the capital bubble, the low level of trust among people in rural Cambodia continues to prevent social cooperation beyond the village level. Therefore, even agricultural cooperatives are not a particularly popular model.

Because Cambodia is the most homogeneous country in Southeast Asia in ethnic, religious and linguistic terms, patterns of conflict along these lines are only weakly developed. The Khmer Rouge’s genocide (1975 – 1979) of ethnic minorities, particularly the Vietnamese and Cham, has not, to date, led to pronounced ethnic cleavages. At the political level, the potential for conflict has increased. While Hun Sen’s rise in the 1990s and afterward went hand in hand with the sustained marginalization of political opponents within and outside the ruling CPP, he is now gradually passing on power to his eldest son, Hun Manet. This delicate transition phase began in 2021 and will likely continue over the coming years. This is because the enormous concentration of power in a single person cannot simply be transferred to another. Instead, the aim is to develop a sustainable solution that satisfies as many players within the regime as possible. So far, this seems to have worked quite well, as demonstrated first and foremost by the replacement of numerous ministers in 2023. Nevertheless, the regime is in its most fragile phase in more than 25 years, a condition felt most keenly by those who could disrupt it – the opposition, NGOs and independent media. It is also expected that the importance of the Hun clan in Cambodian politics, including its links to the private sector, could increase even further and impair others’ sense of security and financial interests.

Conflict intensity



II. Governance Performance

14 | Steering Capability

Currently, no area of politics in Cambodia has a higher priority than the gradual transfer of power from Hun Sen to his son, Hun Manet. As president of both the Senate and the ruling CPP, Hun Sen will remain the most powerful person in Cambodia in the coming years, while the son will gradually have to build his own power resources independent of his father. Since August 2023, when Hun Manet took over as prime minister, he has been responsible for the country's day-to-day political affairs, with the exception of strategic decisions, which continue to be made by Hun Sen. Outwardly, there has been no indication of any serious differences of opinion between the two men to date. Therefore, the strategic capacity to prioritize and organize policies appears to be institutionally split between the prime minister and the president of the Senate. Within the executive branch, the Council of Ministers and the Ministry of Interior play vital roles in policy planning, sometimes competing with each other.

The logic of the patronage network behind the system has recently become even less important. It has been replaced by a few family clans that have created a close-knit network through clever marriage policies and today control virtually all the levers of political power in Cambodia. The decline of clientelism is further reinforced by the gradual development of a welfare state that increasingly reduces the need for people to be part of a political patronage network. In contrast, the establishment of rule-of-law structures, particularly through effective laws and independent courts, still lags far behind. It remains to be seen whether, and for how long, the dysfunctional elements of endemic corruption, red tape and a bloated state apparatus can survive, given the need for modern political and administrative framework conditions to support further industrialization. However, these elements remain critical to the enrichment of the political class and its retention of power.

Hun Sen's dual political strategy of reducing poverty through economic development on the one hand and serving particularistic interests on the other has shaped Cambodia for three decades. The executive's often minimal regard for the binding nature of existing laws has resulted in numerous contradictions. Implementation of such laws is sometimes entirely thwarted for political reasons. The laws may also overburden the responsible authorities and civil servants, who are generally appointed for their political loyalty and only secondarily on the basis of their qualifications. In recent years, policies have often been implemented (halfway) efficiently only when Hun Sen has directly advocated for them, for example during the pandemic. However, the

Question
Score

Prioritization

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Implementation

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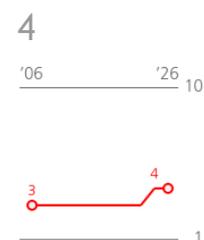
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fact that this approach is increasingly reaching its limits in a differentiated state has not yet led to an alternative political style. In this respect, Prime Minister Hun Manet has at least so far remained firmly within his father's leadership culture.

Of the numerous new ministers who took office in 2023, very few have developed a clear profile that would characterize them as reformers or blockers (whereas virtually all of them are defenders of the autocratic status quo). However, the fact that organized crime, particularly groups engaged in significant online fraud activities, operates so freely in Cambodia does not reflect well on the Ministry of Interior under Sar Sokha, whose father and predecessor, Sar Kheng, was known as a moderate technocrat. Policy areas that have seen quite successful implementation in recent years, at least by Cambodian standards, include education, infrastructure, tax and social services. Overall, those actors who continue to prioritize personal enrichment by plundering public resources are likely to be significantly more influential than Cambodia's drivers of reform, whose best-known representatives include the long-serving Minister of Economy and Finance Aun Porn Moniroth and Minister of Education Hang Chuon Naron.

As a recipient of significant bilateral and multilateral development assistance since its constitutional rebirth in 1993, Cambodia had enormous opportunities for policy learning. In practice, however, these opportunities often failed to materialize for political reasons. This observation mainly applies to political inputs regarding the rule of law, accountability and political pluralism, which have been either ignored or rejected. Even when laws from other countries, such as France and Japan, were used as templates for Cambodian legislation, the effects were often more limited than anticipated because of weak bureaucratic absorption capacity. By contrast, China has often served as a role model for repressive laws, for instance allowing for an expansion of control over electronic communications, including social media. In the past, cooperative policy learning has been more effective on less politically sensitive issues, such as the adoption of international economic standards and schemes. Similarly, elements of the welfare state have largely been defined through the international transfer of knowledge and expertise. A new generation of educated leaders has recently risen to prominence, but as yet there is little evidence of policy innovation; rather, there is an interest in maintaining the status quo.

Policy learning



15 | Resource Efficiency

Government debt remains at a manageable level, totaling \$11.2 billion, or 35.5% of GDP, at the end of 2023. In the national budget, expenditures have significantly exceeded revenues since 2020. In 2023, the deficit reached 5.3% of GDP and, according to World Bank estimates, is unlikely to fall below 4% by 2026. The National Audit Authority (NAA) has existed since 2000 and is headed by a CPP politician, a former member of parliament. In this respect, the NAA is part of the regime's power structure and by no means acts independently. Although audits are conducted, they remain completely ineffective, at least from the perspective of the outside world. Audit reports are rarely published, and even those that do appear do so only after delays of several years.

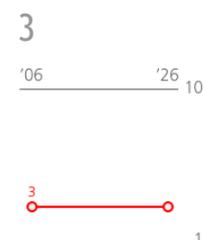
Political loyalty remains a top criterion in recruiting the vast majority of civil servants. According to the World Bank, Cambodia's wage bill rose from 26% of public expenditure in 2005 to 33% in 2020. The rate at which the wage bill has grown is unique to Cambodia, and with the exceptions of Vietnam and Palau, all regional peers spend a smaller share of government revenue on wages. However, the World Bank notes that this increase has not produced better outcomes in Cambodia.

Furthermore, a lack of transparency, legal enforceability, and internal and external accountability considerably reduces the professionalism of Cambodia's public administration. With few exceptions, the centralization of decision-making prevents subnational levels of government from receiving significant authority in the course of a devolution process. However, the effects of insufficient decentralization and deconcentration extend even beyond the country's communes, districts and provinces; decision-making authority on major issues has also been outsourced from ministries to numerous government committees, which in turn are controlled by the Hun clan and their closest confidants.

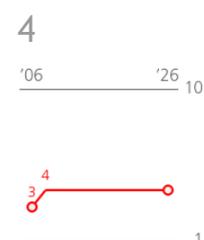
The central organs of political coordination are the Office of the Council of Ministers, which serves as the prime minister's authority, and the Interior Ministry. Their staffing reflects the two largest wings of the ruling CPP, with a high degree of personalization. By this logic, it was almost imperative that Sar Sokha took over the office of the minister of the interior from his father in 2023 to ensure continuity of fragmented access to the state administration within the regime. Generally, all public bodies in Cambodia can be assigned to one of these two central coordinating entities. Rivalries are not uncommon within this dualistic system, but they are almost always regulated internally and rarely reach the outside world. Dozens of interministerial commissions, councils and committees are primarily responsible for this coordination.

A newly relevant player in policy coordination is the Senate, since Hun Sen became its president in April 2024 (an elected position he will hold at least until 2030). Although he is particularly active in foreign policy and certainly has little reason to

Efficient use of assets



Policy coordination



fear external constraint, it is not yet clear how this arrangement will affect the coherence of the government’s work as a whole. Regardless, Hun Sen’s highly personalized style of rule typically forces key actors within the regime to bypass the chain of command and intervene in processes of coordination among subordinate authorities in order to achieve political goals.

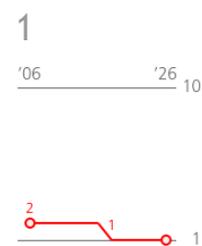
Hun Sen’s accumulation of power has been directly connected to his ability to reward loyal supporters by giving them the structural opportunity to achieve enormous wealth via state offices. He benefits from this in two ways. On the one hand, his supporters are required to share their income with him across hierarchical levels, making Hun Sen by far the richest Cambodian. On the other hand, he has created an extremely effective means of discipline, since corruption is also officially a criminal offense in Cambodia. Even ordinary civil servants have little chance of escaping this system, as they must first buy their way into office with sums often many times greater than their official annual salary. In addition, they often have to pay regular unofficial fees that are also significantly higher than their official salaries.

The anti-corruption unit (ACU), established in 2010, in fact monitors stakeholders to ensure they are sharing income from corrupt practices and paying these informal fees. Hence, despite its label, the ACU does not fight or even contain corruption, but is instead an integral part of it. Consequently, formal integrity measures – such as audits of budget spending and party financing, accountability rules for office holders, and transparency regulations within the public procurement system – exist only on paper and are not subject to judicial oversight or law enforcement. Since this system holds the various players in the personalized system of rule together much more effectively than the chain of command or lines of formal authority within the administration, Hun Manet will have neither reason nor the practical opportunity to change anything substantial about it in the years ahead.

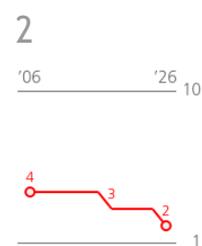
16 | Consensus-Building

Until 2017, Cambodia was a facade democracy. Following the opposition’s surge in popularity and the CPP’s apparent risk of electoral defeat in 2018 – and the subsequent dissolution of the main opposition party – the country has since degenerated into a de facto one-party state. Party competition takes place only as long as no other party is able to pose even a minor threat to the CPP. With 22.2% in the 2022 commune council elections, the Candlelight Party had a good chance of winning about 20 to 30 seats in the 125-seat National Assembly in the parliamentary elections one year later. Although the party could hardly have jeopardized the CPP’s election victory, its exclusion – officially justified on formal grounds – cannot hide how nervously the regime is handling the current transfer of power from Hun Sen to Hun Manet. The success of this transfer is the state’s paramount goal, and leaves no room for actual or potential “troublemakers” who might become part of state institutions again thanks to genuinely democratic elections.

Anti-corruption policy



Consensus on goals

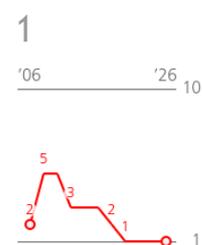


The consolidation of market-economy structures has increasingly stalled in recent years. Chinese-controlled business cycles and actors who are closely intertwined (often through familial ties) with Cambodia's top politicians dominate the economy outside of the informal sector. The fact that organized crime now accounts for revenue sums equal to 40% of GDP further shows the increasing relevance and tolerance of economic crime on a grand scale. Cambodia is further than it was years ago from establishing fair competitive conditions in which efficient and innovative entrepreneurs can assert themselves. This is evident in the fact that, with very few exceptions, Cambodian companies are not internationally competitive; their economic success is achieved almost exclusively at home through political protection mechanisms.

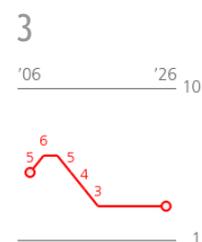
Democratic reformers have not played an effective role in Cambodia's political system since November 2017. With the forced dissolution of the Cambodia National Rescue Party (CNRP), the opposition has been severely weakened and operates without strong and popular leaders in the country. No government politician is calling for a return to at least halfway fair party competition. Informal groups of moderate CPP politicians who could advocate democratic reforms either do not exist or operate in secret. Formerly self-confident and fearless representatives of NGOs and trade unions, along with many journalists and opposition politicians, have engaged in self-censorship or fled abroad following repression and threats. Impetus from the public is often limited to isolated expressions of opinion on social media, which usually result in arrests. Substantively, they rarely denounce the lack of democratic pluralism, preferring instead to criticize the government for its allegedly inadequate containment of Vietnamese influence in Cambodia.

Because of its ethnic, linguistic and religious-cultural homogeneity, Cambodia has established few profound lines of conflict. The Khmer Rouge's attempt to create a completely new society according to its communist-chauvinist ideology was an isolated historical episode and has had no lasting effect in this regard. Because of the CPP's centralized claim to power, neither urban-rural nor center-periphery cleavages have emerged, as they are effectively suppressed. While the regime and organized Buddhism coexist in a relationship of mutual loyalty, and secular movements are rare, potential conflicts between labor and capital are barely perceptible because of the steadily rising minimum wage in the garment industry and the ongoing repression of independent trade unions. In this respect, social consensus is defined by a regime that does not allow open debate, let alone effective influence from independent social groups. However, it may be that new lines of conflict are brewing under the surface of this apparent social pacification, especially in view of Cambodia's recent history. At the least, tensions between beneficiaries of economic development on the one hand, and the socially disadvantaged and left behind on the other, could intensify in the coming years.

Anti-democratic actors



Cleavage / conflict management



The Law on Associations and Non-Governmental Organizations (LANGO), adopted in 2015, has made it even more difficult for NGOs to work in politically sensitive policy areas – particularly the issues of environmental protection, land rights, corruption, human rights, and the abuse of power by security forces – or to publicly identify policy concerns and shortcomings. Whenever the vital interests of the regime are affected, NGOs are excluded from participation in legislative processes, the implementation of existing laws or independent monitoring. Voluntary restraint and self-censorship contribute to the relative rarity of repressive actions directed against NGOs. In politically less controversial policy areas – above all education and health – as well as in subject areas in which ministries benefit from external expertise, the so-called advocacy approach is common, although this has little to do with direct political influence. These are often ad hoc consultation forums rather than procedural forms of participation. Scientists and – in a few areas – Buddhist clerics are also sometimes involved by the government in agenda-setting or policy formulation.

Cambodia’s strategy for dealing with its violent past largely involves ignoring it. From the outset, the hybrid Extraordinary Chambers in the Courts of Cambodia (ECCC) were designed to try the few top Khmer Rouge cadres still alive. The trials ended in 2022 without raising social awareness of the need to deal with this legacy in a mindful and responsible manner, as the regime certainly intended. The tribunal was a farce, primarily due to the considerable influence of the Cambodian government, and should become the subject of a historical reappraisal for both Cambodia and the United Nations in the future. As an (interim) conclusion, the tribunal remained primarily a project of Western elites and is likely to have cost more than \$370 million by the end of 2025.

In society, openly addressing the horrors of the past remains taboo. The central memorials, Tuol Sleng and Choeung Ek, are visited almost exclusively by foreigners. Because of the dominance of materialistic attitudes, few young Cambodians decide to study history, and even fewer ask their parents and grandparents about their experiences under the Khmer Rouge. This is because it is frowned on to discuss these experiences or share them with others, let alone lament them. This expectation prevents older people in particular from coming to terms with their experiences, which in turn often leads to mental illness that is rarely diagnosed and therefore remains untreated.

The main purpose of January 7 and May 20, the two most important holidays in the context of the Khmer Rouge, is to remind people that the past was terrible in order to cast the achievements of the successor regime – still in power today – in a better light. Hun Sen and the CPP have not shied away from violence, as shown by the serious human rights violations of the K5 plan in the 1980s and the numerous murders of political opponents, especially in the 1990s. These crimes of the past are intended to be dead and buried, leading to reconciliation enforced through silence.

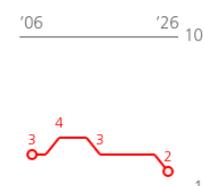
Public consultation

2



Reconciliation

2



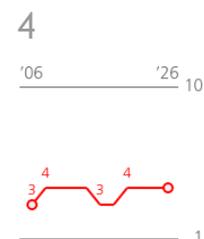
17 | International Cooperation

Cambodia's rapid economic development over the last three decades would hardly have been possible without enormous international support. Bilateral and multilateral financial transfers and foreign direct investment contributed greatly to the expansion of the country's infrastructure, which in turn was a basic prerequisite for international companies to establish production facilities. These construction and expansion efforts focused mainly on highways, bridges, seaports and airports. In August 2024, construction began on the Funan Techo Canal, which is expected to connect Phnom Penh directly to the Gulf of Thailand by water, with completion planned for 2028. In addition, numerous new power plants are being built, and the electricity grid is being expanded to meet the country's growing demand.

The most important development partner is the People's Republic of China, which made \$12 billion in accumulated investments in Cambodia during the period from 2013 to 2022. In 2023, Chinese investors accounted for 56.0% of the year's \$4 billion in foreign direct investment in Cambodia, with this share followed at a considerable distance by South Korea (10.2%), Canada (9.5%) and Japan (7.6%). Similarly, China remains Cambodia's largest lender, although its share of Cambodia's total government debt shrank from 49% in 2018 to just 36.8% in 2023. During the first three quarters of 2024, China did not approve any new loans to the country, but other creditors stepped in with loans totaling around \$1 billion, including the World Bank (\$564 million) and Japan (\$262 million). Nevertheless, Cambodia remains heavily dependent on China. Even though there are more and more politicians within the Cambodian government who – at least behind closed doors – perceive this as a problem, the country is finding it very difficult to break free from the People's Republic of China.

In the areas of bilateral and multilateral development cooperation, Cambodia receives support in almost every policy area, especially education and health. The government is particularly interested in areas that directly foster the country's further industrialization. However, short-term expediencies – mainly the rent-seeking motives of the political leadership – often limit the potential of international support and make it difficult to develop a holistic and inclusive strategy. Hence, in contrast to Chinese cooperation, Western partners often find themselves at odds with Cambodia's development paradigm, which is narrowly focused on the economy and attaches less importance to political, legal, administrative or sociocultural development projects. Unsurprisingly, development projects which feature greater amounts of interest from Western donors than from the Cambodian government are sometimes implemented repeatedly.

Effective use of support



In light of the obligations of the Paris Peace Accords, which were signed in 1991 by all parties to the civil war except the Khmer Rouge, and which remain in force to this day, Hun Sen’s autocratic regime has lost considerable international credibility, and has seen its reputation decline. This is because its transformation into a de facto one-party state clearly violates Cambodia’s commitment to the creation of a liberal, democratic state. Apparently related to this, Cambodia shows little willingness to comply with international human rights and civil rights standards; it was only on November 28, 2024, that the European Parliament referred to the “Cambodian government’s non-cooperation on remedying and preventing human rights violations” in a resolution on the shrinking space accorded to civil society in Cambodia. As the Paris Peace Accords were cosigned by 19 states as guarantors, Cambodian domestic politics is not completely disconnected from international law and obligations. However, the regime often harshly rejects criticism and comments from various United Nations bodies.

In other respects, Cambodia has been a largely reliable participant in international organizations and forms of cooperation in recent years. Although its recent pro-Ukrainian stance is primarily aimed at avoiding Western criticism and, if necessary, sanctions against its own ongoing autocratization, it compares favorably in the region with states that have been unwilling to risk their relations with Russia. Furthermore, Cambodia has demonstrated international responsibility by participating in several U.N. peacekeeping missions, sending more than 10,000 blue helmets since 2006.

For years, Cambodia’s ability to cooperate regionally has been hampered by its dependence on the People’s Republic of China and the resulting solidarity obligations. This affects cooperation within the Association of Southeast Asian Nations (ASEAN) in general and the security architecture of Southeast Asia in particular. This is challenged above all by the largely completed expansion of the Ream Naval Base and the base’s use by the Chinese navy. However, it remains unclear whether the deployment of the Chinese corvettes Wenshan and Bazhong for several months in 2024 was only temporary or whether it constitutes a permanent Chinese military presence – which would violate the Cambodian constitution’s neutrality obligation – in the Gulf of Thailand.

This particularly affects Vietnam, whose security interests hinge on maintaining good relations with Cambodia and Laos, which serve as its hinterland. These countries’ close ties to China – to the point that describing it as a neo-colonial dependency relationship is not far-fetched – make the impact on Vietnam even greater. For more than four decades, Cambodia’s rulers, which were originally installed by Vietnamese occupiers in 1979, tried to maintain good relations with their eastern neighbor. But the events of 2024 showed that this era could be coming to an end. Preparations for the construction of the so-called Funan Techo Canal, which is supposed to connect Phnom Penh with the Gulf of Thailand starting in 2028 to circumvent the route through Vietnam’s Mekong Delta, were carried out without confidence-building

Credibility

5



Regional cooperation

5



consultations with Vietnam regarding environmental and safety impacts. Just a few weeks after construction began, in September 2024, Cambodia also terminated the Cambodia-Laos-Vietnam Development Triangle Area (CLV-DTA) cross-border development partnership. This was preceded by several weeks of anti-Vietnamese protests in Cambodia, echoed by exiled Cambodians in other countries. Regardless of whether the Cambodian government bowed to this pressure or saw it as a welcome opportunity, the decision contributes to the erosion of bilateral relations with Vietnam.

Finally, the fact that Cambodia has become a global hot spot for organized online scam activity also raises issues of regional cooperation. In these crimes, unsuspecting job seekers from other (mostly neighboring) countries are usually lured to Cambodia, where their passports are confiscated and they are locked up and forced by their tormentors to carry out online scams. Victims receive insufficient support from Cambodian security forces, and those in their home countries can do little other than urgently warn their compatriots not to go to Cambodia for professional reasons.

Strategic Outlook

Cambodia's transition of power in 2023 has advanced only another intermediate step, with Hun Manet's assumption of the office of prime minister from his father, Hun Sen. Beyond the resources he was able to amass during his tenure as a military official, Hun Manet still has only a limited power base independent of his predecessor. His position in the political system is therefore far from consolidated. The same applies to the many other second-generation officeholders who have moved to head ministries previously led by their fathers or other relatives. In this respect, Cambodia is in a very sensitive phase of its recent history, characterized by potential fragility. Actors who could disrupt this complex regime process are therefore likely to have a particularly difficult time. This applies first and foremost to all those who have not subordinated themselves to the CPP's claim to power – above all the opposition, independent NGOs and trade unions. For them, extreme restraint and self-censorship could be an essential part of their survival strategy through the transition. However, as the example of the last truly independent media showed, this may not be enough.

As long as he remains healthy, Hun Sen (born in 1952) will continue to dominate Cambodia's politics. As head of the Senate and CPP president, he holds formally influential offices that allow him to make key personnel decisions and practically all strategic political decisions. It remains to be seen which of these offices he will hand over to his son and how quickly. In general, however, it is reasonable to assume that Hun Manet is unlikely ever to occupy a position as dominant as the one his father has held in Cambodia's political system for four decades. Given the influential positions of the other Hun sons (in politics and the military), daughters (businesses) and close relatives, it is more likely that the country will develop from a one-person dictatorship into an autocracy of the Hun clan.

Far-reaching political reforms are just as unlikely in this transition as a return to democratic competition or to a participatory political culture. Nevertheless, it will be difficult for the young government to do permanently without good governance, a careful modernization of the public administration and an efficient judiciary, as a functioning political-administrative framework is likely to be indispensable for further industrialization in the direction of more energy-intensive, complex and value-added manufacturing. Hence, the government will focus on the requirements of this development, mainly cheap energy supplies, skilled workers and an efficient infrastructure.

In contrast, other approaches that contribute to sustainable and inclusive development will likely struggle to gain the necessary political support in this setting. Cambodia's economic development model, which for now involves the country serving as China's extended workbench, is unlikely to change in the near future, as the continued high level of foreign direct investment from China shows. However, even if intra-Asian trade continues to increase as a result of the Regional Comprehensive Economic Partnership (RCEP), Cambodia will continue to depend on access to markets in North America and Europe. At least for the time being, this is not at odds with its close foreign policy dependence on China, whose stabilizing influence on the Cambodian regime is likely to continue in the coming years.