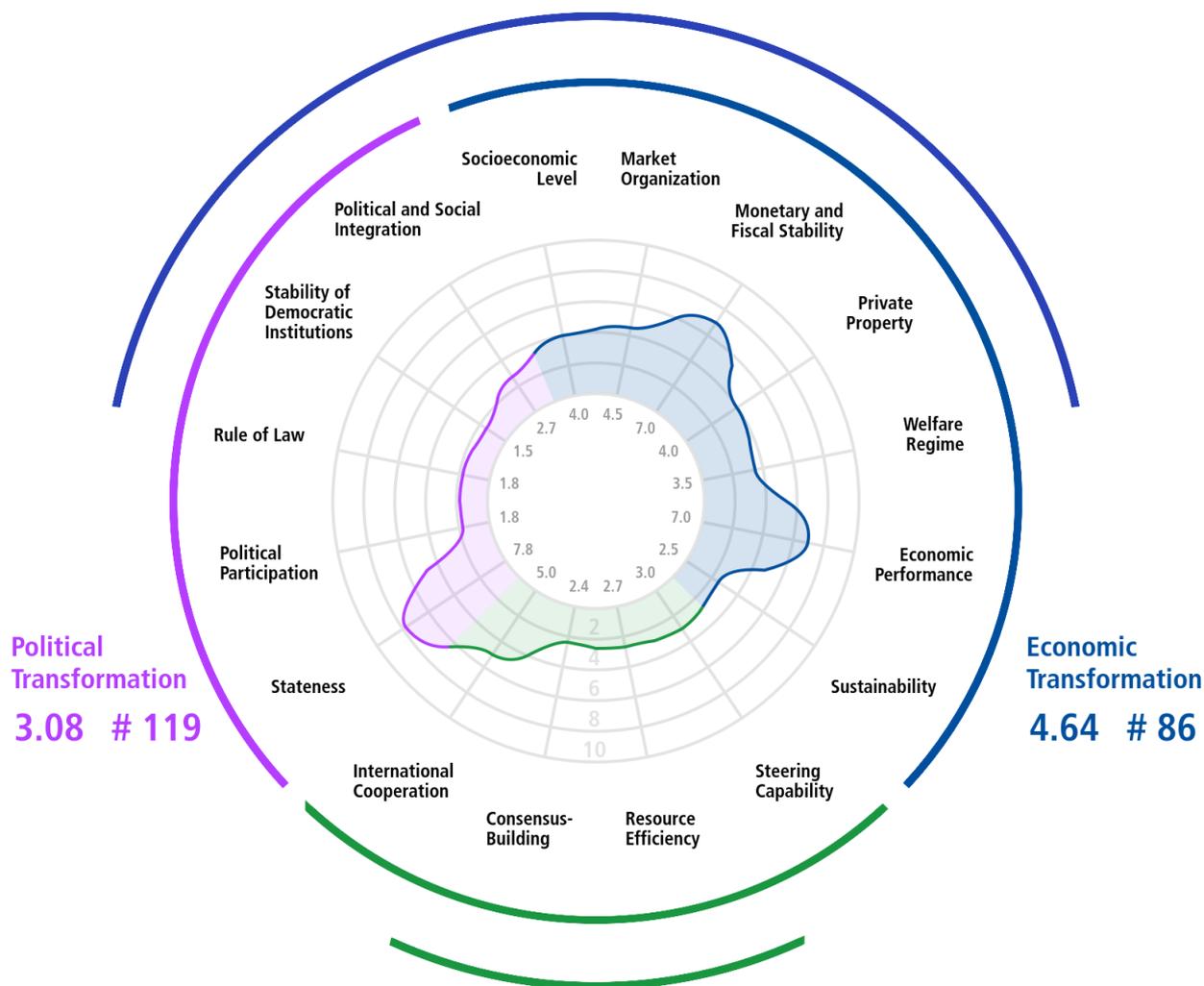


Cambodia

Status Index

3.86 # 110

on 1-10 scale out of 137



Political Transformation
3.08 # 119

Economic Transformation
4.64 # 86

Governance Index

3.05 # 118

on 1-10 scale out of 137

This report is part of the **Bertelsmann Stiftung's Transformation Index (BTI) 2022**. It covers the period from February 1, 2019 to January 31, 2021. 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

Claudia Härterich

Phone +49 5241 81 81263
claudia.haerterich@bertelsmann-stiftung.de

Sabine Steinkamp

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

Key Indicators

Population	M	16.7	HDI	0.594	GDP p.c., PPP \$	4422
Pop. growth ¹	% p.a.	1.4	HDI rank of 189	144	Gini Index	-
Life expectancy	years	69.8	UN Education Index	0.484	Poverty ³	% -
Urban population	%	24.2	Gender inequality ²	0.474	Aid per capita \$	59.7

Sources (as of December 2021): The World Bank, World Development Indicators 2021 | UNDP, Human Development Report 2020. Footnotes: (1) Average annual growth rate. (2) Gender Inequality Index (GII). (3) Percentage of population living on less than \$3.20 a day at 2011 international prices.

Executive Summary

On January 31, 2021 Cambodia had reported just 465 cases of COVID-19. No fatalities directly related to COVID-19 were recorded by the authorities. Consequently, government action instead focused on containing the economic downturn related to the pandemic, which poses, according to the World Bank, “the greatest threat to Cambodia’s development in its 30 years of modern history.” The tourism sector and the apparel industry experienced significant setbacks, resulting in numerous – at the very least temporary – business suspensions and increased unemployment. Among several other measures, the government introduced unemployment compensation for workers of the aforementioned sectors and provided welfare aid for Cambodia’s poorest households. Nevertheless, the World Bank predicted an economic contraction of -2.0% in 2020, which would increase the percentage of the population living below the national poverty line from 12.9% to 17.6%.

A further setback for Cambodia’s economy was the partial suspension – representing approximately 19% or \$1 billion of Cambodia’s 2018’s trade volume – of trade privileges granted by the European Union under the “Everything But Arms” (EBA) scheme for the group of least developed countries. This action was due to ongoing violations of fundamental political rights by the Hun Sen regime. Since August 12, 2020, certain products and product groups, mainly in the apparel industry, are fully exposed to the EU’s quota and customs regulations, effectively increasing costs for these items and reducing a crucial competitive advantage for Cambodia. As most factories are Chinese owned and the apparel industry is generally characterized as both volatile and highly mobile, the future of Cambodia as a shoe and garments production site is considerably endangered. This has increased the pressure for further structural politico-economic reforms which did not take place in the period covered by this analysis. Nevertheless, Cambodia has received better ratings regarding monetary stability, welfare regime, and output strength, underlying a general trend of its slow development toward a market economy.

By contrast, Cambodia's transformation into a de facto one-party state continued throughout 2019 and 2020. The ruling Cambodian People's Party (CPP) still dominates all spheres of government, including the judiciary and subnational levels. Political rights, first and foremost freedom of opinion, continue to be heavily restricted by the regime. By adopting a new Law on Management of the Nation in State of Emergency in April 2020, the parliament handed far-reaching powers to the administration that are de facto valid indefinitely. In addition, with a wave of arrests of former opposition politicians and civil society actors between July and September 2020, Prime Minister Hun Sen sent a strong signal to anyone who still questions the authority of the ruling party. Ultimately, the autocratic government serves one aim – enabling a few families and their close associates to plunder Cambodia's public assets. Cambodia therefore remains not only far away from at least a semi-democracy, but also far from having an accountable form of government.

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 national election in 1993. The political transition between 1992 and 1997 was characterized by instability, political conflict, corruption, pre-electoral violence and the repression of opposition forces. The coalition government was unstable from the beginning. The two coalition parties at that time – the royalist FUNCINPEC party and the post-socialist Cambodian People's Party (CPP) – were deeply divided and shifting factions within the parties further eroded the stability of the coalition. In 1997, FUNCINPEC leader Prime Minister Ranariddh was ousted by CPP-leader, Co-Prime Minister Hun Sen, in a coup d'état.

Parliamentary elections in 1998 resulted in another CPP and FUNCINPEC coalition government. Some degree of stability was achieved after that year's official dissolution of the Khmer Rouge, but the elections were again preceded by systematic and widespread political intimidation and violence by the CPP. The Sam Rainsy Party (SRP), led by the eponymous former finance minister, emerged as a new opposition force. With Hun Sen as sole prime minister following the elections, the CPP emerged as the country's strongest political force, a trend that continued in following elections in 2002 (local), 2003 and 2008 (national). Hun Sen effectively took broad control over the security apparatus, civil service, all TV stations, most radio stations, major newspapers, the electoral administration and the judiciary. His CPP remains the largest party, with a well-established patronage network.

It is clear that the democratization process has been reversed by the CPP's autocratic tendencies. Hun Sen's hold on Cambodian politics has strengthened, with the CPP dominating most recent parliamentary, Senate and commune elections. To challenge the ruling party more efficiently, the SRP and the Human Rights Party (HRP) combined their limited resources and formed the new Cambodia National Rescue Party (CNRP) in 2012 led by Sam Rainsy and Kem Sokha. In the 2013 elections, the CNRP emerged as a strong competitor against the ruling party and captured 55 out

of 123 seats in parliament. Many national and international observers agreed that Hun Sen's thin victory was dependent on unfair voting conditions. The CNRP subsequently boycotted parliament for nearly a year, taking its seats only after securing several concessions.

With several politically motivated trials against dissidents, the closure of the Cambodia Daily newspaper and several radio stations in 2017 and the forced involuntary change in ownership of the Phnom Penh Post, freedom of expression has been severely curtailed. In November 2017, the CNRP was dissolved by the Supreme Court in a purely political trial after winning 43.8% of the popular vote in commune elections five months before. The ruling CPP assumed the majority of the CNRP's redistributed commune council seats, consequently winning all seats in indirect Senate elections in February 2018. In July 2018, the CPP won all seats in parliamentary elections, transforming Cambodia's political system into a de facto one-party state. The CNRP now exists as a loose association outside the country, but it is divided over future strategy.

The process of economic liberalization had been underway before political transformation accelerated in the late 1990s. Significant progress has been made in recent years. Despite a serious setback due to the effects of the global financial crisis in 2009, annual growth rates have been consistently above 5% since 1991 and have fluctuated around 7% between 2010 and 2019 with a very positive effect on poverty reduction. During the past few years, the most positive development has been the successful implementation of fiscal and monetary policy reforms. However, social inequalities persist, in addition to extensive environmental destruction. Heavily reliant on the apparel industry, Cambodia's economy is insufficiently diversified and still lacks skilled workers as well as energy at affordable prices and adequate transport infrastructure.

In the past decade, Cambodia further expanded its close partnership with the People's Republic of China, resulting in a huge dependency both economically and politically. At the same time, relations with the United States and the European Union continued to worsen considerably.

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

Transformation Status

I. Political Transformation

1 | Stateness

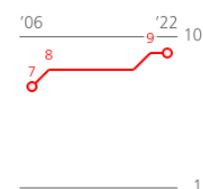
In general terms, the central state fully controls Cambodian territory as there are no noteworthy territorial enclaves which are controlled by groups that compete with the government's monopoly on the use of force. In recent years, border conflicts with its neighbors Thailand, Vietnam, and Laos eased (albeit not totally disappeared), effectively completing the state's control of its geographic borders. With the upcoming establishment of a Chinese naval base near Sihanoukville and a possible transformation of Dara Sakor International Airport (Koh Kong Province) into a Chinese airbase, the Cambodian government is set to allow for the first time since the end of the Vietnamese occupation and the U.N. interim government a foreign government to station troops in Cambodia. If these plans materialized in the near future, the government would voluntarily violate the Cambodian constitution that forbids military bases of foreign forces on Cambodian soil. While criticized by more nationalist and opposition forces as a sell-out of national interests to China, as well as appearing unconstitutional, this development would not limit the state's monopoly on the use of force.

As Cambodia's status as a failed state between 1970 and 1993 recedes into the past, the concept of the nation-state has regained both acceptance and attractiveness in Cambodia. The identification of the people with their country is further facilitated by Cambodia's long history since the foundation of the Khmer Empire in 802. Furthermore, being Southeast Asia's most homogenous country regarding ethnicities, religions, and languages, means there have never been fundamental conflicts about who belongs to the nation and who does not. Article 31 of the constitution guarantees all citizens the same rights "regardless of race, color, sex, language, and religious belief." However, a high percentage of the estimated 750,000 ethnic Vietnamese living in Cambodia (approximately 4.5% of the entire population) are stateless, although anybody born in the country whose parents live legally in Cambodia can apply for citizenship. Most of them are not able to provide the required documents and are usually regarded as illegally living in Cambodia. In addition, ethnic

Question
Score

Monopoly on the
use of force

9



State identity

8



Vietnamese are most exposed to xenophobia, which further impedes their integration into society. Naturalization is possible while anybody born to at least one Khmer parent is entitled to citizenship, irrespective of place of birth.

Since Cambodia gained independence from France in 1953, secular norms and positive law determine both the legal framework and institutional arrangements in the country. The separation of religion and state was further accelerated during the socialist period from 1975 to 1991. While Article 43 of the Cambodian constitution of 1993 declares that the state guarantees “freedom of belief and religious worship,” it also states that “Buddhism shall be the religion of the State,” reflecting the strong impact of Buddhist traditions, beliefs, and customs within society.

The country is approximately 95% Buddhist, and has a history as a Buddhist Kingdom, both key to social cohesion in post-genocidal Cambodia. This explains the state’s unequal treatment of Buddhist institutions compared with other religions. Article 68 of the constitution stipulates that the state shall help promote and develop Pali schools and Buddhist institutes. In addition, the patriarchs of the two monastic divisions, the Maha Nikaya and the Dhammayuttika Nikaya sects, are members of the nine-headed Throne Council that elects the king from the members of the royal family as stated in Article 13 of the constitution. However, the Buddhist monasteries are not politically neutral as their representatives maintain excellent relations with the ruling Cambodian People’s Party (CPP), leaving almost no outlet for monks supporting opposition parties. This, however, does not reflect an “independent” political role of the Sangha (monastic community), but is a result of co-opting and control by the regime (party).

According to data provided by the World Bank, in 2015 only 42% of the population in Cambodia had access to improved sanitation facilities, while 76% of the population had access to an improved water source. Both indicators have been improving, reflecting a steady wider improvement of basic public services. In all parts of Cambodia, children have access to primary education, while secondary schools tend to only exist in district capitals. Tertiary education is limited to Phnom Penh and some provincial capitals. Access to adequate health care is poor, as most facilities that do exist are poorly equipped, even in most provincial capitals.

Roads and other transport infrastructure have steadily improved over the past few years due to intensified construction, including in rural areas. However, often the quality is poor and maintenance insufficient.

During the pandemic, access to basic infrastructure has been limited by the government in terms of forced closures of schools and kindergartens. The period of closures lasted from March to early September 2020, despite the very low number of COVID-19 cases in the country. In November 2020, education facilities in Phnom Penh and surrounding Kandal Province were forced to close.

No interference of religious dogmas

9



1

Basic administration

5



1

Cambodia's difficulties in providing adequate public services is reflected by the structural deficits of its state administration, which is organized along the patronage networks of the ruling CPP. Red tape, inefficiency, corruption, and nepotism are typical concomitants in most public sector branches and systematically undermine justice and accountability. Law enforcement and implementation are very limited. With a highly politicized judiciary, justice is generally denied to the majority or is exclusively for those who are able to bribe judges. According to a report by Oxfam, taxation policies have improved marginally, showing increased progressivity, particularly in the field of personal income tax. However, as the state bureaucracy does not treat legal persons equally, taxation has become a tool to harass political opponents and business competitors of the elite. When recruiting new civil servants, political loyalty to the ruling party, personal relationships to respective decision-makers and the ability to buy oneself into office trump formal degrees, experience, and qualifications. Only a few ministries and agencies depend on experts in their respective fields, which are often led by technocrats and reform-orientated politicians.

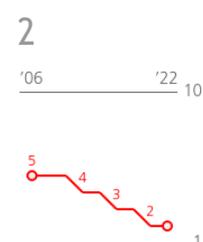
2 | Political Participation

Since 1993, every five years Cambodian citizens are entitled to elect parties that run for the National Assembly, Cambodia's lower house of parliament. Since 2002, in the same interval they have voted for parties on the commune level. Every six years (most recently in 2018) commune council members elect the Senate, Cambodia's upper house of parliament. There are no independent candidates; only political parties are allowed to run in elections.

Although parties other than the CPP have been subject to serious disadvantages since 1998 – inter alia fraud of electoral rolls, unequal access to electronic media and party donations – there was a certain degree of competition and at least a two-party parliament as result. However, after the Supreme Court dissolved the only relevant opposition party – the CNRP – in 2017, elections in Cambodia have become entirely unfree and unfair.

Although 19 other parties competed in the 2018 ballot, only the ruling CPP won seats. It also absorbed the vast majority of the commune councilor seats held by the CNRP in 2017. Now holding all 125 seats of the National Assembly, 58 out of 62 seats in the Senate, and 95.5% of all commune council seats, the CPP has successfully transformed Cambodia de facto into a one-party state. While commune elections in 2022 will likely cement the CPP's dominance at the grassroots level, parliamentary elections in 2023 could result in the return of at least one minor party in parliament in order to simulate an opposition. This is because the CPP seeks internal and external legitimacy through elections, including a high turnout.

Free and fair elections



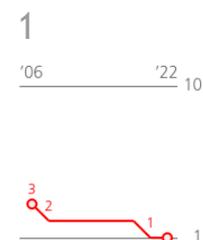
In Cambodia's personalist regime, Prime Minister Hun Sen is the ultimate political decision-maker. Although he must respect that the party's internal patronage networks are fairly represented within public offices, nobody holds a position within the administration against the will of Hun Sen. For many years, it has been his strategy to govern irrespective of decisions made by upper echelons of government. He has used decrees, public speeches and his Facebook account to de facto annul existing laws. This behavior puts him in the position of Cambodia's one and only veto player. He has been able to subordinate everybody else under his power during the last decade. Currently it seems that only Chinese investors – together with political backing from the Beijing government – can exert some influence behind closed doors.

Influential bodies within the regime are those that have evolved as Hun Sen's major tools to govern and control the country. This includes his bodyguard militia as the most important pillar of his power, the anti-corruption unit that monitors the CPP's patronage system instead of curtailing corruption, and – with varying relevance and competences – virtually all security forces within the country. Some important positions are held by Hun Sen's relatives (including in-laws), in particular his sons Manet and Manith within the Royal Cambodian Armed Forces (RCAF).

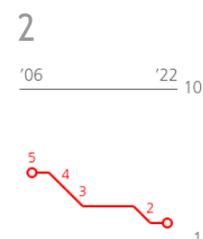
Cambodian citizens are entitled to form and join independent political and civic groups according to Article 42 of the constitution. In reality, however, these rights are severely constrained. Based on the law governing associations and non-governmental organizations (LANGO), the Ministry of Interior can deregister associations and organizations without limitation. Criticizing the government has become almost impossible, as this could be interpreted as a violation of "political neutrality" that is required by the law. Freedom of assembly, despite guaranteed by the constitution in Article 41, has almost completely disappeared from Cambodian politics. Due to widespread self-censorship among NGO workers and other independent dissidents, crackdowns against peaceful political gatherings occur seldomly. Potential public protests, such as those held before or during politically motivated trials, are normally prevented by the heavy presence of security forces. Cambodia's current political parties enjoy limited freedoms in order for the country to appear to be a multiparty system.

During the COVID-19 pandemic, the regime increased its pressure on independent civil society actors significantly. The most prominent victim of the wave of arrests between July and September 2020 was Cambodian Confederation of Unions president, Rong Chhun, who was arrested on July 31, 2020. He was charged by the Phnom Penh Municipal Court with causing social chaos under Articles 494 and 495 of the Criminal Code. In addition to supporters of the former opposition parties, the main targets were representatives of the organizations Mother Nature Cambodia, the Khmer Student Intelligent League Association (KSILA), and Khmer Thavrak. The latter was among 66 signatories of a joint statement of Cambodian NGOs regarding

Effective power to govern



Association / assembly rights



the State of Emergency Law which was adopted in April 2020. In it, the NGOs express their fear that the law would enable the government “to restrict the fundamental freedoms of the Cambodian people without limit,” as the measures stipulated in Article 5 included far-reaching powers for the administration. During the state of emergency, the royal government has the power to impose bans or limits on the freedom to travel and to hold meetings or gatherings, on daily work or professional activities, and on people leaving their homes.

During the pandemic, the Cambodian government intensified its efforts to contain freedom of expression. Between April and October 2020, journalist Sovann Rithy was imprisoned due to alleged “incitement to cause chaos” over a Facebook post in which he accurately quoted Prime Minister Hun Sen. On November 11, 2020, the Phnom Penh Municipal Court sentenced Ros Sokhet, the publisher of the *Cheat Khmer* (“*Khmer Nation*”) newspaper, to 18 months in prison with a fine of two million riels (\$500). Sokhet had questioned the lack of any government solution for Cambodians who are unable to pay their debts to banks as a result of the COVID-19 pandemic.

Altogether in 2020 more than 40 people were arrested for spreading coronavirus-related “fake news.” A number of those arrested are affiliated with the dissolved opposition party, the Cambodia National Rescue Party. In December 2020, the Council of Ministers’ Press and Quick Reaction Unit issued a notice that updates on the Facebook pages of the prime minister and the Ministry of Health are the official sources of accurate COVID-19 information. Nevertheless, there is no evidence that the regime pressures journalists to conceal a significantly higher number of COVID-19 cases and related deaths, despite the official numbers being among the lowest in the world.

Generally, independent journalism in Cambodia only exists in small niches. With the termination of the *Cambodia Daily* in 2017 and sale of the *Phnom Penh Post* to a Malaysian investor in 2018, investigative journalism within the country has almost completely disappeared. A few online media outlets exist, such as the *Southeast Asia Globe* (English), *Cambodianess* (the English version of *Thmey Thmey* that features less critical articles in the Khmer language), *Women’s Radio FM103.5* (Khmer) and *Beehive Radio* (Khmer), which all report political and social sensitive issues with relative independence.

In December 2020, former opposition leader Sam Rainsy was charged by the Phnom Penh Municipal Court for violating “*lèse-majesté*” by insulting King Norodom Sihamoni in a Facebook post. Under the *lèse-majesté* law adopted in 2018, penalties vary between one and five years in prison with fines ranging from \$500 to \$2,500.

Freedom of expression

2



3 | Rule of Law

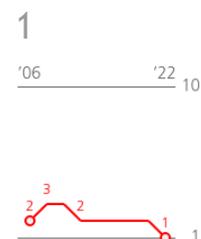
The ruling CPP holds all 125 seats in the National Assembly and 58 out of 62 seats in the Senate. In both legislative chambers, the mandates are bound to party membership except two senators who are appointed by the king. Due to the distinct top-down management approach of the CPP, Hun Sen as party president exercises utmost influence on any lawmaker. Lawmakers face a concrete threat of being expelled from the party in the case of disloyalty or insubordination. Through this mechanism the executive controls the legislative, while members of parliament do not represent the voters of their constituency. Similarly, the CPP fully controls Cambodia's courts, who as a result are generally politically biased toward the ruling party. Other institutions and authorities including the Constitutional Council, the national election committee, the court of audit, and subnational levels are also under complete supervision of the administration.

In April 2020, the National Assembly unanimously adopted a new Law on Management of the Nation in State of Emergency. The law allows the government to direct the king to announce that the country is in a state of emergency for an initial period of three months (renewable). To declare a state of emergency, it is sufficient that the government perceives “national chaos that threatens security and public order” (in addition to threats caused by war, foreign powers, a pandemic, or national disasters). This vague specification grants the administration almost unlimited authority for an unspecified period of time and appears open to misuse.

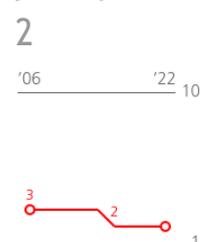
The Cambodian judiciary, albeit formally differentiated, is under complete control of the executive branch and is therefore a tool used to oppress dissidents and (potential) political opponents of the rulers. In 2020, several trials against NGO activists, journalists, former opposition supporters, and famous union leader Rong Chhun were initiated by the regime. In January 2021, the Phnom Penh Municipal Court opened a mass trial against 130 people consisting mostly of former senior CNRP members and their supporters. Some could not stand trial because they had resettled abroad and were barred from returning to Cambodia by the government, which had annulled their passports and refused to issue visas for those who hold dual citizenship.

While former opposition leader Sam Rainsy has already been convicted in absentia to decades imprisonment in countless trials, his former co-leader Kem Sokha has found himself at the mercy of the judiciary since September 2017. After serving one year in prison without being formally accused or convicted, he was put under house arrest until November 2019. Shortly after, he was charged with treason by the Phnom Penh Municipal Court, a charge which could result in up to 30 years imprisonment. However, the proceedings were suspended in 2020, giving Kem Sokha no opportunity to dispel this allegation.

Separation of powers



Independent judiciary



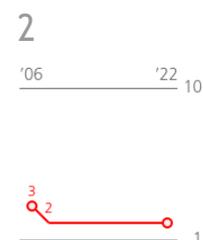
While petty corruption has decreased slightly in recent years, grand corruption with the prime minister as the main beneficiary prevails unimpaired. With very few exceptions, public servants and politicians are not held accountable by legal prosecution and public contempt when they break the law and engage in corrupt practices. From the early 1990s, Hun Sen has created a public administration that is completely infused by the CPP's patronage patterns, which enable nepotism and systematic personal enrichment. Most civil servants in middle positions and virtually all in higher positions have had to pay entrance fees in return for their position (some of these fees are on a continuous basis). As these sums normally exceed the formal income of the position, corruption has become a norm in Cambodia's bureaucracy. In addition to this sophisticated systematic plundering of public assets for personal gain, widespread corruption facilitates extensive control as corrupt officials run the risk of being prosecuted if they display disloyalty toward the CPP's top leaders.

While siphoning from public assets supports loyal followers, especially among the security forces and within the top-ranks of the CPP, it has also emerged as a very effective tool of control. In an environment where most stakeholders must practice corruption in order to recoup colossal entrance fees and fund kickbacks on a regular basis, they face the threat of being prosecuted at any time. This risk increases discipline within the regime; in recent years, the number of people convicted for corruption has marginally increased, but with only limited sentences and without addressing Cambodia's top leaders. Sometimes, the evidence against the accused has been so overwhelming that even Cambodia's politicized judiciary does not dare to acquit the defendant. Mostly, however, these people have violated internal rules of the corruption scheme, which include the duty to share such earnings with superiors and the party.

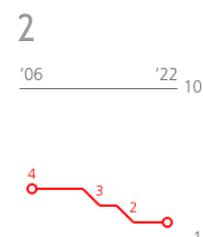
Civil rights for Khmer citizens and several universal human rights are guaranteed by the constitution. However, as the regime only respects the constitution when it is politically convenient, all rights are de facto subject to the regime's discretion. Rights violations committed or orchestrated by the regime occur in waves, usually whenever the CPP perceives a challenge to their power. This tends to occur around elections. In 2020 and early 2021, systematic violations of civil rights were the main political concomitants of the government's response to the COVID-19 pandemic. A state of emergency, which was declared on January 31, 2021, transfers even greater scope of action to the executive.

When civil rights are violated by security forces and other public office holders, consequences are rarely forthcoming. Members of certain police units, the gendarmerie and the military in particular, who are loyal to Hun Sen, are untouchable as long as they do not violate internal guidelines. Under such conditions, vulnerable groups such as prisoners, women, children, indigenous minorities and socially marginalized people are most exposed to violent treatment. Mechanisms and institutions established to prosecute, punish and redress violations of these rights

Prosecution of office abuse



Civil rights



formally exist, but are rarely used. Sometimes, perpetrators of felonies are convicted, but often they appear to be scapegoats while the wider criminal structures operating in the background are ignored by the investigators. This was the case in the murder of dissident Kem Ley in 2016.

According to a 2019 report by the United States State Department on religious freedom in Cambodia, there remain societal barriers to the integration of the predominantly Muslim Cham people and Christians. The Montagnards from Vietnam, who enter the country to claim refugee status, receive the support of the U.N. High Commissioner for Refugees. However, the Cambodian state has been trying to prevent this assistance. The report also mentions that villagers killed at least two people suspected of practicing sorcery due to their animist beliefs and practices. Witchcraft-related crimes appear to be common, with at least 49 incidents recorded between 2012 and 2018.

4 | Stability of Democratic Institutions

Cambodia's political system formally consists of nominally democratic institutions with regular elections, two houses of parliament and vertical differentiation at the commune level. However, these institutions are completely undermined by the ruling CPP, which has substituted them with its own informal authoritarian rules based on patronage and personal networks. Democratic principles are only respected when they are in accordance with the CPP common interest or particular objectives. Consequently, political competition is only permitted when other parties are too weak to effectively challenge the regime. With the bloody coup d'état in 1997 against the royalist FUNCINPEC, and the dissolution of the CNRP by court order in 2017, Hun Sen twice eliminated two major contenders to his power. There are no doubts that he will do so again whenever it becomes necessary.

Hun Sen's transformation of Cambodia into a de facto one-party state happened without any noteworthy domestic resistance. Despite some evidence that a limited number of reform-orientated technocrats within the government did not actively approve of the forced dissolution of the CNRP, they remained loyal to the prime minister and his general approach. Apparently, they fear losing not only their position within the cabinet, wealth, and status, but also personal freedom. Hence, self-censorship has not only increased among civil society actors and journalists, but also within the regime. It is fair to say that within the CPP there are currently no senior politicians or low-level cadres that lobby for a return of democratic institutions.

Similar to the ruling party, authoritarian leadership models persist elsewhere, too. Although the CNRP represented a democratic alternative to the general public, internally, it continued to follow personalized leadership principles instead of establishing democratic structures. In social organizations, participation is often restricted to their particular leaders. There are few NGOs in Phnom Penh and other urban areas that do not have a hierarchical structure. However, they are not representative of society or civil society association as a whole.

Performance of democratic institutions



Commitment to democratic institutions



5 | Political and Social Integration

With its top-down approach, a strong hierarchy and pronounced patronage networks, the ruling CPP does not articulate and aggregate societal interests. First and foremost, it satisfies the materialist interests of its top leaders including their family clans and their followers within the state bureaucracy and security forces. Cambodia's other political parties follow similar leadership and patronage models. They do not play any substantial role in Cambodian politics, and their existence masks the fact that the country has turned into a one-party state. In 2018, after the CPP won all seats in parliamentary elections, the regime created the “Supreme Council for Consultations and Recommendations,” a forum in which these minor political parties can address the government and give advice on and draft policies, as well as monitor the implementation of laws at national and subnational levels. In the years since its establishment, as expected from the very beginning this unconstitutional body – consisting of 30 members as governmental advisers, drawing an official salary – has not had any visible impact on Cambodian politics.

Since its dissolution by court rule in 2017, the CNRP has remained under fierce attack from the government. Countless trials of senior representatives and supporters have been initiated by the regime, although most CNRP members in Cambodia have already turned their back on politics. In 2019, former party president Sam Rainsy, living abroad since 2015, spectacularly failed to return to Cambodia because – apparently at the request of the Cambodian government – a Thai airline barred him from boarding a plane. While the CNRP lacks a strategy on how to re-enter Cambodian politics, the CPP favors a comeback of a ruptured CNRP with Kem Sokha as opposition leader and Sam Rainsy permanently exiled. However, Sokha has so far refused any advances by Hun Sen and is currently facing the possibility of 30 years imprisonment for alleged treason.

The majority of cooperative associations and interest groups are linked to the patronage system of the ruling CPP. While this ensures their political survival, it means interest groups are limited in representing controversial or sensitive issues. Often, these associations act as consultants and are able to influence technical aspects of particular policies as long as the advice is in accordance with the CPP's objectives. Pressuring the government, for example, through public campaigns or demonstrations, remains within the realm of the impossible. Over the years, strikes have become rarer, especially in the apparel industry.

Independent organizations are usually perceived as hostile by the regime because they potentially threaten the ruling party's power and enrichment mechanisms. The existence of a few independent unions – out of about 3,000 officially registered – and NGOs can be regarded as a political concession to Western donors and garment importers. While it is usually safe to operate in urban areas, NGOs face high risks in remote areas, particularly when dealing with sensitive issues such as land management and environmental protection.

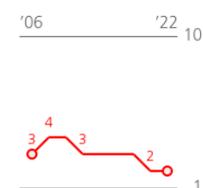
Party system

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Interest groups

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There have been no opinion surveys regarding approval of democracy in Cambodia published in the review period. In the past decade, the Asian Barometer Survey provided data through repeated surveys throughout East and Southeast Asia which cover Cambodia. They give a mixed impression. In 2015, 73.1% of 1,200 interviewees agreed with the statement “democracy is always preferable to any other kind of government,” up from 57.0% in 2012 (2008: 61.2%). Only 6.9% agreed with the statement “under some circumstances, an authoritarian government can be better than a democracy,” down from 13.0% in 2012 (2008: 8.3%). Asked whether “we should get rid of parliament and elections and have a strong leader decide things,” 77.5% disagreed/strongly disagreed (2012: 80.0%; 2008: 72.8%). And 78.5% disagreed/strongly disagreed in 2015 with the statement “only one political party should be allowed to stand for election and hold office,” up from 67.9% in 2012 and 67.2% in 2008. However, in 2015, a clear majority of 67.7% stated that economic development is definitely/somewhat more important than democracy (2012: 70.0%; 2008: 58.8%) while 56.9% agreed that “reducing economic inequality is definitely/somewhat more important than protecting political freedom,” up from 49.8% in 2012.

Approval of democracy

n/a



Cambodia still has a general low level of social trust. According to the Asian Barometer Survey, in 2015 only 13.4% of 1,200 interviewees stated that “most people can be trusted” (2012: 11.5%; 2008: 7.4%). Similarly, the statement “you must be very careful when dealing with others” (2015: 86.6%; 2012: 88.5%; 2008: 92.6%) is approved by a vast majority of Cambodians and documents the persistence of distrust. The slow transformation of attitudes can be traced back to strong family and kinship orientation and strict hierarchical patronage systems. In this setting, cooperation beyond the family and the village was rare until the colonial period. In addition, three decades of persistent violence from the 1960s to the 1990s eroded trust and has left the lasting impression of fragile and sometimes even hostile surroundings. Furthermore, the current regime has established effective surveillance mechanisms that intimidate people who in turn tend to behave cautiously. Finally, by using violent rhetoric, Hun Sen splits rather than unites society.

Social capital

4



Social capital is stronger particularly among better educated Cambodians, as volunteering and grassroots cooperation have increased over recent years. Still, many active NGOs tend to be rather orientated toward Western donors’ agendas. Their heavy financial dependency on international donors has been a feature for more than two decades and complicates the efforts of Cambodian NGOs to take root in the society. At the time of writing, there is no evidence that the pandemic has affected the sense of solidarity and trust and the self-organizational capacities of civil society.

II. Economic Transformation

6 | Level of Socioeconomic Development

Prior to the COVID-19 pandemic, Cambodia was one of the fastest growing economies in the world, with an average GDP growth of 7.1% between 2011 and 2019. International agencies projected a contraction of GDP in 2020 of between 2.0% (World Bank) and 4.0% (Asian Development Bank), which would be the sharpest decline in Cambodia's recent history, with negative consequences for the poverty rate in the country. For example, the United Nations Development Program (UNDP) in October 2020 projected an increase in the percentage of the population living below the national poverty line to 17.6%.

According to the Human Development Index (HDI), in recent years Cambodia has slightly improved its development status, increasing its score from 0.528 in 2009 to 0.594 in 2019, but falling two positions in the ranking, from 142 to 144. However, the inequality-adjusted HDI shows significant improvements in Cambodia: in 2010 the overall loss in HDI due to inequality was 28.8%, but this fell to 20.0% in 2018. The impact of the COVID-19 pandemic could mean these achievements suffer a grave setback. The main reasons are the lack of a comprehensive welfare regime, increasing unemployment, a drastic cut in government expenditures in 2021, and a stagnation in wages.

The apparel industry is a key pillar of the Cambodian economy. In 2019, with exports worth \$9.3 billion, it accounted for 80% of all exports and contributed 40% to GDP. Inequality due to gender has improved over a number of years because of this thriving industry, with 90% of the 700,000 total people employed (early 2020) being women. Cambodia had a score of 0.561 in the United Nations' Gender Inequality Index in 2005. This improved to 0.474 by 2019. It is likely that 2019 saw the apparel sector's all-time peak in Cambodia, and the decline of this industry could affect gender equity significantly in coming years. By mid-2020, more than 150,000 workers were reported to have lost their jobs during the pandemic. Hence, the government raised the industry's minimum wage in 2021 by only \$2 to \$192, which is likely to be less than the country's inflation rate.

With their earnings, garment workers usually support their families who live on subsistence farming. In the last decade, agriculture in Cambodia experienced significant setbacks, resulting in minimal growth – just 14% between 2010 and 2018, in a period in which the wider economy grew by 72% – and a reduction of total workforce from 56% of the population in 2011 to 32% in 2019. Many farmers depend

Question
Score

Socioeconomic
barriers

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on the income of their daughters in the garment industry. Vice versa, the agriculture sector is unable to absorb rising unemployment in tourism and the garment industry.

At the time of writing, it remains unclear how enduring the economic setback caused by the pandemic will be. According to the World Bank, Cambodia could return to its growth path with a growth in GDP of 4.3% in 2021 and 5.2% in 2022. However, even with this rather optimistic forecast, Cambodia will struggle for years to reverse the social disruption caused by the economic downturn in 2020.

Economic indicators		2017	2018	2019	2020
GDP	\$ M	22177.2	24571.8	27089.4	25291.3
GDP growth	%	6.8	7.5	7.1	-3.1
Inflation (CPI)	%	2.9	2.5	-	-
Unemployment	%	0.1	0.1	0.1	0.3
Foreign direct investment	% of GDP	12.6	13.1	13.5	-
Export growth	%	5.3	14.2	13.3	-11.3
Import growth	%	4.1	16.9	11.1	-8.9
Current account balance	\$ M	-1807.3	-2895.6	-4064.6	-3075.6
Public debt	% of GDP	30.0	28.5	28.6	34.2
External debt	\$ M	11425.3	13533.0	15329.4	17562.1
Total debt service	\$ M	1015.6	1278.8	1513.6	1488.0
Net lending/borrowing	% of GDP	-1.0	0.4	2.2	-
Tax revenue	% of GDP	15.8	17.1	19.7	-
Government consumption	% of GDP	5.1	4.9	4.8	5.5
Public education spending	% of GDP	-	2.2	-	-
Public health spending	% of GDP	1.1	1.3	-	-
R&D expenditure	% of GDP	-	-	-	-
Military expenditure	% of GDP	2.1	2.2	2.2	2.4

Sources (as of December 2021): The World Bank, World Development Indicators | International Monetary Fund (IMF), World Economic Outlook | Stockholm International Peace Research Institute (SIPRI), Military Expenditure Database.

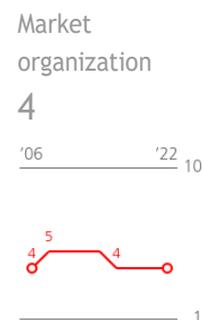
7 | Organization of the Market and Competition

Cambodia is formally organized as a market economy, but the main principles of free and fair competition are compromised by several shortcomings. The regulatory framework remains highly ineffective due to an overstrained public administration, a lack of control capacities, cronyism, patronage, and nepotism. For years, unfair competition mechanisms have evolved in favor of Chinese and domestic companies with good relations to high-ranking government officials. Systematic illegal exemptions from taxation and unauthorized imports to circumvent customs are common and, in several business sectors, render competition almost impossible for companies that comply with the rules. Tax inspections have become an effective tool to eliminate undesired enterprises, especially when their competitors enjoy political protection.

For years, the Cambodian economy has featured significant barriers to entry. According to the World Bank Doing Business Index 2020, in the indicator “starting a business” only three countries perform worse. Compared to any other country in Southeast Asia, costs to register a business are significantly higher, while starting a business takes 99 days, the third longest period worldwide. According to the European Chamber of Commerce companies that do not qualify for Cambodian nationality are not permitted to own land in Cambodia. To gain the status of a Cambodian company or to establish a general partnership, a company must have a registered office in the country and Cambodian nationals must own at least 51% of its shares.

Cambodia’s informal sector remains strong and has likely grown during the COVID-19 pandemic. It is very common that small and micro enterprises are not officially registered and therefore do not need to comply with taxation rules, labor laws and other regulations. In 2018, approximately 2.4 million people were employed in the informal sector, exceeding the workforce of registered companies by almost one million. The establishment of costly seniority payments for all registered companies in 2019 further increased the attractiveness of the informal sector.

Besides informal and unofficial means, formal anti-competitive measures are not common. One major exception is the minimum wage in the garment industry, which is set by the government. Price setting is used infrequently by the government, for example for consumer fuel prices and interest rates for micro finance institutions.



In late 2020, a draft law on antitrust and competition was reviewed and finalized by the Cambodian Working Group on Drafting Competition Law and international experts from the Australia Competition and Consumer Commission. It is expected to be enacted by mid-2021. The new law has the potential to increase Cambodia's attractiveness for international investors, as it could facilitate better trade dispute resolution. According to a previous draft, the law is supposed to encourage fair business relations, promote economic efficiency and the establishment of new businesses, protect the national economy from harmful anti-competitive behavior, and assist consumers in obtaining goods and services of higher quality at lower prices and with greater variety and greater choice. The law also regulates the establishment of the Competition Commission of Cambodia, a supervisory body with a broad range of responsibilities. Further regulations address unlawful activities which prevent, restrict or distort competition, complaints and investigations procedures, penalties, and other sanctions.

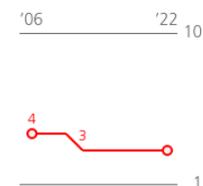
Once adopted, it remains unclear whether the new law will be capable of containing the strong anti-competition tendencies rooted in the top echelons of the government. The fact that several top entrepreneurs are also senators for the ruling party is only the most striking aspect of cronyism in Cambodia. The relationship between senior politicians and larger companies leads to several advantages for the latter (e.g., dominant market positions, marginalized unions, exemption from customs and taxation, legal protection) that are often rewarded with bribes, kickbacks, and hidden shareholding.

According to the United States embassy in Phnom Penh, Cambodia became a beneficiary of the U.S. Generalized System of Preferences (GSP) in 1997 and exported nearly \$179 million duty free to the United States under the program in 2016. Even more relevant is the European Union's "Everything But Arms" (EBA) scheme, which allows duty-free access to the EU for exports of all products except arms and ammunition. After almost two years of consideration, research and a grace period, in August 2020 the EU partially suspended the EBA status of Cambodia worth €1 billion or about 19% of total Cambodian exports to the single market in 2018 due to political – mainly anti-democratic – actions in the kingdom. The consequence is that products excluded from EBA will be subject to between 1.7% and 12.0% tax. Similarly, under President Biden the United States could revitalize the Cambodia Trade Act which – together with the Cambodia Democracy Act – was introduced in 2019 by a bipartisan initiative. If adopted, Cambodia would lose its place in the GSP trade scheme and would face the potential imposition of tariffs on its exports.

Cambodia is part of several free trade agreements, including the Regional Comprehensive Economic Partnership (RCEP) consisting of the 10 Association of Southeast Asian Nations (ASEAN) member states, South Korea, China, Japan, Australia and New Zealand which was formed in November 2020. Nevertheless, non-tariff barriers, mainly in agriculture, remain a considerable trade restriction. While

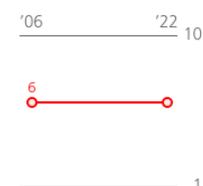
Competition policy

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Liberalization of foreign trade

6



import duties amount to 35%, together with 10% VAT (an additional special tax can add up to further 50%), Cambodia's customs sector is prone to corruption and unofficial fees. While gray markets – for example for newly fabricated cars that are exposed to 95% import-related costs under full compliance – exist due to unofficial imports, Cambodian exports also raise questions. While the country officially exported 620,000 tons of rice in 2019, it is estimated that an additional two million tons are sold illegally every year.

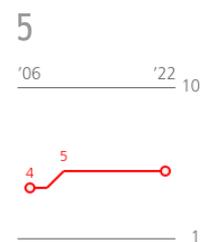
Since Cambodia became a WTO member in 2004, the country enjoys Most Favored Nation (MFN) status in international trade. While the simple average final bound was 19.5% in 2017, the simple average of the MFN actually applied was just 11.1% in total (agriculture 27.9% and 15.1%; non-agriculture 18.0% and 10.5%). Compared to its regional neighbors, this difference is relatively small. In 2016, Cambodia's single most important trade partners were the United States (21.3% of all Cambodian exports), the United Kingdom (9.5%) and Germany (9.0%). The primary sources of imports were China (36.8%), Thailand (15.4%) and Vietnam (11.5%).

Before the COVID-19 pandemic, the banking sector has experienced dynamic growth in terms of market participants and volume. By the end of 2018, the sector comprised 42 commercial banks, 14 specialized banks, 72 microfinance institutions, and seven microfinance deposit-taking institutions. By the end of 2019, outstanding loans rose by 26% to \$28.8 billion, while customers' deposits increased by 25% to \$30.5 billion. According to the World Bank, the rapid growth of bank credits to the private sector – 83.4% of GDP in 2019 – indicates a substantial increase in risks associated with spillovers from the real estate sector to the banking sector. Companies listed on the Cambodia Stock Exchange (CSX) increased from five to seven after electric power technology company Pestech and Acleda Bank were listed in 2020.

Compared to other developing countries, Cambodia has had the huge advantage of a healthy banking sector before the pandemic. With only 2.0% non-performing loans in 2018, only 13 other countries in the BTI performed better. Similarly, at 13.9% in 2018, just 14 countries in the index have a higher bank capital to assets ratio. At the time of writing, there was no indication of a shortage of liquidity within the banking sector. According to the Association of Banks in Cambodia, as of October 2020, the financial institutions have provided loan restructuring of approximately \$3 billion. Similarly, data from the Cambodia Microfinance Association shows that its members had restructured loans worth \$1.3 billion by mid-October 2020. Allegedly, non-performing loans in the microfinance sector were only 2.5%.

However, in Cambodia micro credits are the main driver of debt overload. Approximately 2.6 million Cambodians owe a total debt of \$10 billion to microfinance lenders. With a GDP per capita of approximately \$1,600 in 2019, the average loan is \$3,804 per person – one of the highest amounts in the world – according to the well-respected human rights organization LICADHO. Due to the pandemic, it is likely that many borrowers will not be able to make repayments due

Banking system



to a shrinking economy. The main reason is that micro finance institutions normally provide loans without running a proper credit check on the borrower. In addition, most credits were provided with the expectation of a growing economy and increasing incomes. Consequently, as many borrowers provided land titles as collateral, the risk of widespread land losses – for farmers often their only asset for subsistence – is growing significantly.

Furthermore, an inestimable amount of Cambodia's debt remains hidden due to illegal money lenders who often operate without regulation. While the informal lending industry has a long tradition in the country, it is common that Cambodians find themselves trapped in a cycle of debt to more lenders. As there is no legal possibility for private insolvency in Cambodia, the considerable problems of the banking system exist beyond official statistics and could emerge as a ticking time bomb for both the economy and society.

8 | Monetary and fiscal stability

In the last decade Cambodia benefited greatly from an overall monetary stability that has endured during the pandemic. Inflation averaged 2.8% between 2009 and 2018, with a peak of 5.5% in 2011. The Cambodian riel (KHR) has been fluctuating around KHR 4,050 to \$1, with very low volatility for more than 10 years. The relevance of the U.S. dollar has declined due to the central bank's action of supplying KHR 3.4 trillion riels (\$838 million) primarily to commercial banks in the first 11 months of 2019, an almost fourfold increase compared to 2018 according to the World Bank. Furthermore, the National Bank of Cambodia required all financial institutions to hold at least 10% of their loan portfolio in KHR by the end of 2019, in addition to other activities in favor of the local currency. These efforts paid off as, according to the World Bank, riels in circulation increased by 31.3% in 2019 compared to the previous year.

Although the central bank remains only formally independent, it has successfully established a technocratic approach that is widely unaffected by political interference in its operations. However, this does not apply to the bank's general policies and strategies. As the governor can be dismissed and replaced by a governmental decree, the political sphere holds an effective tool to discipline the leadership. However, with Governor Chea Chanto in office since 1998, this tool has not yet been utilized.

Monetary stability



Cambodia's economy has benefited from stability-orientated fiscal and macro-financial policies for years. In 2018, the deficit of the current count balance rose to \$2.8 billion from \$1.7 billion in the previous two years. The public debt has been fluctuating around 30% of GDP and was 28.6% in 2018. Between 2008 and 2018, total reserves increased from \$2.3 billion to \$13.4 billion, almost as much as the external debt, which stood at \$15.4 billion in 2018 (2008: \$2.5 billion). In the same period, the total debt service increased from \$41.8 million to \$864 million. Therefore, it is not surprising that Cambodia belongs to the group of net borrowing states (1.0% of GDP in 2017). Cambodia has one of the lowest rates of government consumption in the world, with only 4.9% of GDP in 2018. In 2019, revenue peaked and reached 26.3% of GDP, driven primarily by rising revenue from taxes on goods and services including imports, as well as direct taxes. In the same year, government expenditures also peaked, reaching 25.5% of GDP, driven primarily by a rising wage bill according to the World Bank.

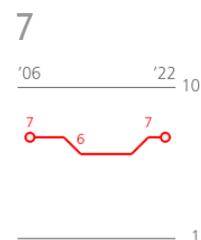
Due to the COVID-19 pandemic and reduced state revenues, the draft budget for 2021 forecasts reduced expenditure of \$7.6 billion, down from \$8.2 billion in 2020. In previous years, the budget steadily increased, previously by 22% in 2020 and 10% in 2019. To contain the social and economic effects of the pandemic, in March 2020 the Cambodian government announced an allocation of up to \$2 billion to fund measures including health activities, social assistance, tax relief measures, low-interest loans, and support for small and medium enterprises in manufacturing and the agricultural sector.

Perhaps due to this overall fiscal stability Cambodia does not participate in the Debt Service Suspension Initiative set up by the World Bank and the IMF. According to the World Bank, to finance additional expenditures in response to the pandemic, the government rationalized other spending, yielding savings of approximately \$900 million, of which about \$500 million will be from capital spending. Other sources of funding are bi- and multilateral donors who provide grants and loans.

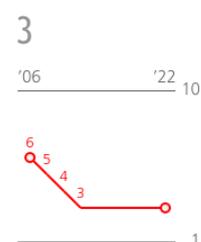
9 | Private Property

According to the World Bank's Doing Business Report, Cambodia ranks 129 out of 190 economies in 2020 for ease of registering property, reflecting a fall of eight positions compared to 2018. In particular, Cambodia performed poorly in the land administration category which includes reliability of infrastructure, transparency of information, geographic coverage, land dispute resolution, and equal access to property rights. Conflicts over land ownership occur regularly in both urban and rural areas, albeit at a lower intensity than previously. The cadastral system still faces considerable shortcomings, especially due to different land titles and state agencies involved. While "soft titles" of local authorities are the most common form of ownership and the most commonly issued land title in Cambodia, they can be

Fiscal stability



Property rights



overruled by “hard titles” issued by superior government bodies. In the past, high-ranking government officials, their associates, and/or stooges were involved in such land disputes.

With the Law on Management of the Nation in State of Emergency adopted in April 2020 as a response to the pandemic, the government created a new legal basis to seize and use the property of legal entities. Because the declaration placing the nation in a State of Emergency and its de facto unlimited extension are issued by decrees, this vague stipulation could become a gateway for violations regarding private property.

Three out of seven companies listed on the Cambodia Securities Exchange (CSX) are state-owned. As in previous years, the Ministry of Economy and Finance is the majority shareholder of Phnom Penh Water Supply Authority (85%), Phnom Penh Autonomous Port (80%), and Sihanoukville Autonomous Port (75%). The volume of shares held has not changed for many years, indicating a lack of will to further privatize these corporate entities. While there is no policy to privatize state-owned companies, it is common for public owners to sell land to the private sector. Often, state-owned enterprises hold monopolies which they defend against potential private competitors. To operate sustainably in their markets, private companies usually need political backing in order to avoid significant disadvantages. In particular, the protection of political patrons can compensate for the lack of legal security and other structural obstructions caused by corruption and bribery. Therefore, close connections between private companies and politicians are the rule rather than the exception.

In 2020, the Cambodian government did not demonstrate any willingness to take equity stakes in troubled firms or to nationalize companies as a response to pandemic-related crises. There was also no indication that major enterprises faced insolvency.

10 | Welfare Regime

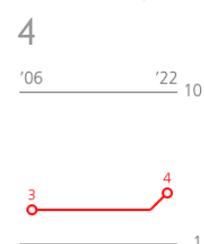
Cambodia’s welfare regime is at an early stage of development. Public expenditure on health as a percentage of GDP (1.3% in 2016) remains one of the lowest in Southeast Asia. Nevertheless, life expectancies at birth increased from 64.7 years in 2007 to 69.3 years in 2017. According to OECD reporting, only a small proportion of the Cambodian population in the formal sector is covered by social insurance, and even those only have access to a limited set of social insurance arrangements. Workers in the formal private sector have access to employment injury insurance and social health insurance, but not to a statutory pension arrangement. In contrast, public sector workers enjoy better protection, but even this is still mostly insufficient. For both groups, unemployment insurance is nonexistent.

In terms of coverage, the largest social protection intervention is the Health Equity Fund which provides access to health care and other benefits to around 2.7 million

Private enterprise



Social safety nets



poor and vulnerable individuals in the country. This target group is part of the “Identification of Poor Households” (IDPoor) mechanism that reaches 660,000 poor households in rural areas. In 2019, the poor living in Cambodia’s towns and cities were included for the first time. The second main welfare scheme is the National Social Security Fund (NSSF), which manages the civil servants’ and formally employed workers’ schemes. The NSSF is rapidly expanding enrollment in the formal employee scheme; while it covered 266,000 in 2016, by April 2019 the scheme had more than 1,712,000 people enrolled.

Due to the very low spread of COVID-19 in Cambodia at the time of writing, the health care system has not yet come under increased pressure. However, the pandemic had a direct impact on the economy and the workforce. In April 2020, the government established allowances for temporarily laid-off garment workers – in total 330,000 persons between March and November 2020 – which ranged from receiving 60% of the minimum wage to a flat \$70. Of the figure, \$40 came from the government and \$30 from factory employers. Unemployed staff in the tourism sector in Phnom Penh, Siem Reap, Preah Sihanouk, Kep and Kampot provinces are subject to the same conditions. If the suspension is less than one month, the payments are reduced to \$25 (seven to 10 days suspension) or \$50 (10 to 20 days). In June 2020 the government also launched a cash relief program for those identified by IDPoor which is set to last until at least March 2021. The payments are staggered according to neediness; while a level 1 poor family member in the capital can receive up to \$43 per month, a level 2 family member in rural areas can receive \$24. Altogether, government expenditures are worth approximately \$30 million per month, with more than 700,000 households benefiting in November 2020. This extra program is delivered in parallel to the existing cash transfer program for poor pregnant women and children (0-2 years old) and the scholarship program for poor primary and secondary school students.

Although the Cambodian constitution determines equal rights for its citizens “regardless of their race, color, sex, language, belief, religion, political tendencies, birth origin, social status, resources and any position” (Article 32), the idea of equality is challenged in different ways.

The patronage networks of the ruling CPP exercise full control on public resources and access to state offices. Entrance fees for most careers within the public administration and kickbacks later on are informally specified by the party. The notion of equality also competes against cultural perceptions that tend to maintain disparity and a hierarchical social order. In particular, the Buddhist concept of birth and rebirth – about 95% of the population are Buddhist – has a direct impact on the social order and an individuals’ status. While wealth and power in the present life are perceived as rewards for a good previous life, poverty, illnesses, and disabilities are punishments for former misconduct, contributing in effect to a lower status in society. Similarly, deep-rooted gender conceptions include clear role descriptions for women

Equal opportunity

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who, in Cambodia, traditionally do not take public positions. As these notions tend to be preserved rather than challenged by the state, anti-women prejudices prevail and impede women's access to leadership positions in the public sector, as well as in medium and large-scale private enterprises.

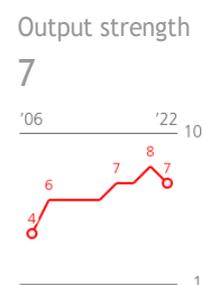
While women are vastly under-represented in elected office – only 20.0% in the National Assembly, 17.7% in the Senate and 20.1% in commune councils – their situation in other spheres is slightly better. In 2018, the female labor force was 48.4% of the total, the second highest in Southeast Asia. Nevertheless, the literacy rate of women (75.0%) is still lower than the rate for men (86.5%) and, in total, was one of the lowest (80.5%) in the region in 2015. The situation for girls and young women in education has improved in recent years, contributing to an almost balanced ratio of female to male enrollment in primary (1.0), secondary (0.9), and tertiary (0.9) education. However, limited access to education still contradicts the idea of equality of opportunity. The overall gross enrollment ratio in secondary (45.2) and tertiary (13.1) education was the lowest in Southeast Asia in 2019.

11 | Economic Performance

Within 10 years, GDP has risen by 160% to \$27.1 billion (2019). Similarly, GDP per capita – based on purchasing-power-parity (PPP) – almost doubled from \$2,299 to \$4,571 in the same period. In 2019, GDP per capita increased by 5.5%, the seventh highest rate among all BTI states. However, as a consequence of the COVID-19 pandemic, which disrupted international production chains, weakened international demand and, via the government's mitigation efforts, caused an almost complete stop of international tourism, Cambodia recorded GDP growth of -7.1% in 2020 (2018: 4.2%; 2019: 2.4%). After experiencing an inflation rate of 1.1% in 2018 and 0.7% in 2019, Cambodia recorded a negative inflation rate of -0.4% in 2020.

According to the World Bank, the official unemployment rate was 0.7% in 2020, the fourth lowest globally. Between 2008 and 2018, tax revenues increased from 10.6% to 17.1% of GDP. From 2009 to 2019, the current account balance grew year on year from \$741 million to \$4.1 billion. In the same period, the public debt increased from 28.5% of GDP in 2009 to 31.9% in 2014 but fell to 28.6% in 2019. Both the current account balance and public debt, albeit steadily increasing, appear to be manageable.

Gross capital formation increased from 21.4% of GDP in 2009 to 24.2% in 2019. In the same year, foreign direct investments (FDI) was the sixth highest in the world and reached 13.5% of GDP. However, it is possible that Cambodia's attractiveness has been encouraged by weak anti-money laundering efforts. Therefore, the proper implementation of the new Law on Anti-Money Laundering and Combating the Financing of Terrorism – adopted in June 2020 – may impact the capital inflow to Cambodia.



12 | Sustainability

Record lows of the Mekong river in August 2020 and a fierce flood just two months later once again showed that Cambodia is fundamentally vulnerable to climate change. Although Cambodia is still planning the construction of coal-fired power plants, energy production from renewable sources has been increasing for a number of years. In 2016, hydroelectric power production was almost 50 times greater than in 2011, but this represented just 13% of its full potential. By contrast, solar power projects contributed less than 1% to the energy mix in Cambodia in 2019, while wind power has not played any role so far. There are still numerous systematic challenges to expand renewable energy production. Especially, feed-in tariffs are not permitted in Cambodia, making private-installed solar rooftop panels and other clean electricity unprofitable.

Since 2013, Cambodia has undertaken a process of modernizing its environmental impact assessment system first established in 1997. This resulted in a draft law in 2015 that later was incorporated into the Draft Environmental and Natural Resources Code of Cambodia. At the time of writing, at least 11 versions have been developed by the Ministry of Environment, after more than five years of consideration and discussion with experts and non-governmental organizations. Apparently, this slow progress is caused by deeper conflicts over resource control with the Ministry of Agriculture, Forestry and Fishery and the Ministry of Mines and Energy. Hence, the controversy is less about an effective tool to protect Cambodia's natural resources and more about preferential access to extensive profits from the illegal exploitation of them.

It is not surprising that rampant illegal logging and other environmental disasters have continued for years without proper governmental reactions. Corruption and bribery enable forest crimes even in protected areas that are already under the control of the Ministry of Environment. Therefore, even if the code is adopted by the National Assembly eventually, under current political conditions it is very unlikely that the law will be properly implemented at national, subnational, and local levels. To summarize, the legal system to protect natural resources in Cambodia is not only insufficient, but also systematically ignored and outright violated because the profiteers hold positions within the highest ranks of government.

Environmental
policy

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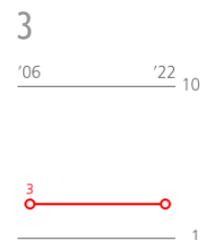
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In the U.N. Education Index, Cambodia had the second lowest score (0.476) in Southeast Asia despite a steady improvement in recent years. Education remains the government's largest annual expenditure at \$826 million, representing around 10% of the proposed budget for 2021. This represents 2.8% of GDP (2019: 3.4%). While most resources are allocated to primary and secondary education, tertiary education - including vocational training - has remained underdeveloped for years. Cambodia lacks both teachers with modern didactic approaches and also legal compliance, as bribery and corruption are still widespread. Compulsory schooling is not enforced; hence, enrollment is often higher than attendance, particularly in rural areas with a high proportion of farmers who seek the help of their children in the five months of sowing and harvesting seasons.

The tertiary education system is dominated by private schools that favor income over quality. Without a functioning accreditation system and supervisory control mechanisms, the value of degrees is often limited. Universities with internationally respected research output do not exist due to very low public expenditures on research and development (0.1% of GDP in 2015). Some think tanks and other private institutions conduct some applied research in social science. Consequently, most Cambodian students pursue their Ph.D. overseas.

Education policy /
R&D



Governance

I. Level of Difficulty

Most structural constraints in Cambodia emanate from an anti-democratic elite that has seen state assets as a source for personal enrichment since at least the 1980s. Deeply shaped by the country's violent history, which consists of three decades of war, civil war, and genocide, unwillingness to share both power and access to public resources has been a key characteristic of the Hun Sen regime, but it is also an historically and culturally ingrained legacy of Cambodia's troubled past.

Instead of establishing an effective public administration to govern the country, the rulers followed traditional patterns of exercising power by creating informal institutions comprising clientelism, nepotism, cronyism, and even mafia-like structures. Consequently, in a "winner-takes-all political culture based on endemic distrust" (historian David Chandler) political competition appears to the ruling CPP as a zero-sum game. From this point of view, a defeat represents total destruction.

To undermine the liberal constitution of 1993, Hun Sen established far-reaching patronage networks and strong security forces that are loyal to him personally (instead of to the state). These represent his main bases to exercise control and to amass wealth. It is no secret that the next step in this logic is to constitute a dynasty that safeguards power for his kin for at least the next generation. Many believe that his oldest son, Hun Manet, a four-star general and deputy commander of the Royal Cambodian Armed Forces (RCAF), is his favored successor. By choosing a soldier rather than a civilian politician as successor, there is a likelihood that the mindset of Cambodia's violent legacy will endure in the long run and the grave structural constraints associated with it. On a positive note, Cambodia has not to date experienced any additional disruptive shocks caused by the COVID-19 pandemic.

Nonpolitical structural constraints appear to have less influence on the leadership's governance capacity. Poverty has been reduced considerably during the last three decades while natural disasters are limited to local floods and droughts. However, despite enormous efforts to expand Cambodia's infrastructure, its deficiencies persist and impede rural development as well as overall industrialization. Similarly, the lack of skilled workers inhibits the manufacturing of complex products inside the country.

Structural
constraints

7



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Typically for a postwar nation, mutual trust among Cambodians is low. Due to low social capital and a widespread lack of solidarity in society, social cooperation beyond family bonds and villages is still rare, especially in rural areas. In addition, culturally rooted social hierarchies persist and favor vertical differentiation over horizontal orientation. These attitudes have been shaping the individual identity of the Cambodian people and have contributed to an absence of civil society traditions represented by formal and informal organizations. In postcolonial Cambodia until the early 1990s, unions, federations, and associations were creations of the respective rulers with a strong political motivation.

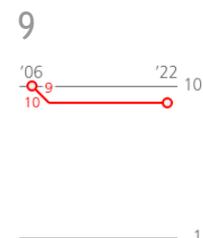
New liberties granted by the constitution of 1993 led to the emergence of thousands of NGOs. In their early years, these organizations were not rooted in society or local communities, despite their ostensibly grassroots approach. This has gradually changed over the years, as more grassroots organizations have blossomed into a mindset which embraces a degree of social cooperation. However, under the surface significant shortcomings tell the story of an illusion of civil society. First, many NGOs depend heavily on institutional funding provided by Western donors; so far, most NGOs have not elaborated – not to mention implemented – significant fundraising activities in their home country. Second, the NGO status is often used as a legal entity for social entrepreneurs. With a competitive business-like setting, some systematically violate the idea of non-profit organizations.

Third, the Cambodian government has always been suspicious of any form of independence, especially on politically sensitive issues. Consequently, the few real civil society organizations (out of about 1,000 active NGOs in Cambodia) have faced immense political pressure and judicial harassment for years. While they enjoyed some freedoms as environmental, social, and political watchdogs in the past, since 2015 their situation has gradually deteriorated. While several NGOs shifted their activities to fewer sensitive issues such as charity, others suspended operations and some representatives even fled the country.

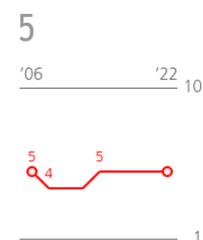
Conflicts in Cambodia – the most homogenous country in Southeast Asia – only rarely occur along ethnic and religious lines. Obviously, there are not any aftereffects of the crimes conducted between 1975 and 1979 by the Khmer majority against the predominantly Sunni Cham minority. Cambodia's Vietnamese, who were also victims of genocide, have not sought revenge. Strong anti-Vietnamese prejudices are deeply rooted in Cambodian society and have flared up several times since Vietnam ended its occupation of the country in 1989. With the rising presence and influence of Chinese people, together with what some Cambodians perceive as culture clashes in daily life, anti-Sino sentiments have been increasing in recent years.

Social issues tend to have a rather limited effect on conflicts. A rural-urban division has not yet emerged due to ongoing domestic migration from rural into urban areas, which has weakened possible differences. Other cleavages are also barely visible, despite the unequal allocation of wealth in society, whereby supporters of the regime

Civil society traditions



Conflict intensity



are the main benefactors of the corruption enabled by Cambodia's top rulers. Intensified conflicts are limited to politics, which have been monopolized by the CPP since the dissolution of the oppositional CNRP in 2017. In 2020, the confrontational nature of politics became visible through the judicial persecution of – potential or real – government critics and dissidents. However, it is unclear whether these actions were immediately caused by the COVID-19 pandemic or were simply another action of the routine paranoia of Cambodia's top rulers.

Without a vital opposition, an outspoken civil society, and an independent press, social and political conflicts have become less visible in recent years. However, this only reflects the lack of possibilities to communicate and channel dissatisfaction. If ignored by the monolithic elites, conflicts will likely grow under the surface, intensify and eventually erupt.

II. Governance Performance

14 | Steering Capability

In 2020, Cambodia expanded social transfers at a rate never seen before in its history. By subsidizing garment workers and employees of the tourism sector who lost their jobs, the government for the first time addressed unemployment with state action. This seems to be appropriate for both short-term mitigation and long-term recovery of these sectors as the COVID-19 pandemic is widely seen as just an interim disruption of otherwise healthy business models. As the government has been planning to expand social welfare schemes for years, the measures of 2020 do not contradict its long-term strategies. Altogether, the transformation to a market economy appears to be relatively unaffected by these policies.

Regarding the democratic transition – the other part of the BTI normative framework – Cambodia's trajectory did not appear to be developing in this way even before the pandemic. Enforcing utmost loyalty inside the ruling party and repressing political opposition have been the primary priorities of the leadership in order to safeguard their power and wealth. As Prime Minister Hun Sen gradually initiated a generation change among his cabinet members, one may argue that this sort of internal transition is a sensitive process for the regime, as it cannot be completely sure in advance that its new representatives will gain the same support from the public as their predecessors. From this perspective, the existence of a strong opposition is an unacceptable threat until all successors stabilize themselves in office. Apparently, this transition will be completed by the resignation of Hun Sen from the office of prime minister – while he is life-time elected leader of the CPP – at some point before 2030. As discussed above, establishing a dynasty is likely the most significant priority of Hun Sen in the long run.

Question
Score

Prioritization

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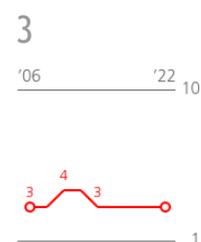
In the meantime, siphoning money from the state and its assets remains an important goal for most senior politicians. By doing so, they keep their followers in the patronage networks happy and the security forces within the army, police, and gendarmerie loyal. To maintain control of the Cambodian people, the regime views economic growth as a key tool in meeting rising individual needs, reducing dissatisfaction and increasing the legitimacy of the rulers. Seen in this light, economic development is prioritized, while political and social components (especially participation and pluralism) are excluded. Under these conditions the state apparatus must do an almost impossible balancing act: on the one hand expanding professionalism in order to keep pace with rising demands of an increasingly complex economy, and on the other, avoid interfering with the patronage and corruption schemes that maintain the regime.

Over the past three decades, Cambodia has made substantial progress in poverty reduction by lifting millions of people out of extreme poverty. This success has been based on two main pillars. First, the gains of economic growth have trickled down to the vast majority of society, leaving only a few disconnected from the overall recovery. Second, public service delivery to the poorest communities has gradually improved. These efforts have been accompanied by expanding state revenues, particularly through the levying of taxes on personal income. However, these examples of successful implementation do not reflect a harmonious government. The cabinet is generally divided into a group of defenders of the status quo, and those pushing reform. Tough power struggles regularly occur behind closed doors when draft laws affect several ministries (see “Environmental policy”).

Most often, the patterns of internal conflict are related to the areas in which high-ranking government officials siphon off enormous wealth through their access to public assets. As this arrangement remains the top priority of the vast majority of them, any other policy implementation is subordinated to this goal. Of course, this includes any efforts toward transparency, accountability, rule of law, and any other effective power-balancing mechanism. In this setting, a liberal democracy would gravely threaten the current informal system of corruption. However, there are a few technocrats in the administration, such as Sar Kheng (interior), Hang Chuon Naron (education, youth and sport), Aun Porn Moniroth (economy and finance), Sun Chanthol (public works and transport) and Chea Sophara (land management, urban planning and construction). However, to implement any substantial reform policy, they all require the direct support of the prime minister in order to overcome the defenders of the status quo.

In 2020, the COVID-19 pandemic highlighted new challenges for the regime. The government struggled to contain the spread of the virus and to mitigate the economic impacts of the measures it took. At the time of writing, the government has managed to strike a balance, but this has been accompanied by significant attacks on liberal principles.

Implementation



Since 2015, the regime has gradually eliminated the last effective elements of the liberal democracy promised by the 1993 constitution. By transforming Cambodia into a de facto one-party state that suppresses and persecutes all forms of political variation, the ruling CPP and its top representatives have finally proven that they are not interested in incorporating power-balancing mechanisms into their governance framework. Such policy learning has been demanded by bilateral and multilateral western development partners as an enduring legacy of the 1991 Paris Peace Accords. However, these efforts have met with little success. The European Union’s decision to partially suspend trade privileges in 2020 can be regarded as another – probably also unsuccessful – attempt to enforce democratic and liberal principles.

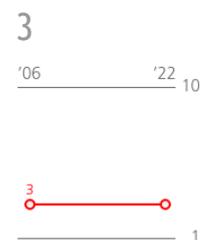
Instead of orienting toward democratic models, policy learning has shifted toward typical autocratic role models. In many policy fields, Chinese consultants have become very influential with technical and judicial advice, not only regarding the expansion of surveillance capabilities. Under these general structures, innovation rarely originates from institutional learning. For many local experts, demonstrating their political alignment is considerably more relevant than substantially contributing to specific policy areas which match their expertise, especially in sensitive issues. In addition, strong hierarchies in society demand subordination to “higher” authorities and further impede the probability that real innovations – especially ones that bring into question existing structures – emerge. In general terms, policy learning capabilities have remained widely unaffected by the COVID-19 pandemic.

15 | Resource Efficiency

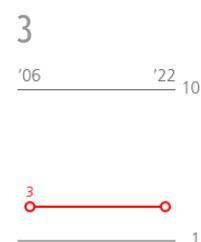
The response to the COVID-19 pandemic highlighted the tremendous lack of transparency in Cambodian governance once again. In February 2020, the government stated that it had up to \$2 billion set aside in fiscal reserves for stimulus measures. The government was unable to prove it possesses these reserves, and also failed to explain whether the amount is factored into the 2020 revised budget or the budget for the following year. Furthermore, it remained unclear how the government planned to balance falling revenues caused by reduced economic growth. Finally, the administration has not informed either the parliament or the public about how exactly the additional resources were spent by the ministries. Unsurprisingly, there is no independent institution to oversee spending.

However, these clandestine state budget policies are not caused by the special situation of the pandemic but are systematic shortcomings within the Hun Sen regime. These shortcomings are illustrated by an inefficient use of public assets. At all levels, the recruitment of administrative personnel is dominated by nepotism, loyalty toward both the CPP and the individual patron within the patronage network, as well as the ability to buy oneself into office. Often, applicants lack even basic qualifications, which further contribute to a highly underperforming public sector, first and foremost at the subnational level. Generally, people without personal connections and money have no real chance of entering the public administration in middle and higher ranks.

Policy learning



Efficient use of assets



Only ministries that require a high degree of technical competency exercise a more professional recruitment process, but in relation to the entire state apparatus this is a clear minority. In recent years, the regime intensified its dynastic ambitions; many sons (and very few daughters) of leading CPP representatives have been elevated to senior positions within the security forces, the administration, judiciary, and parliament. Most likely, a generational transfer of power will be completed within this decade.

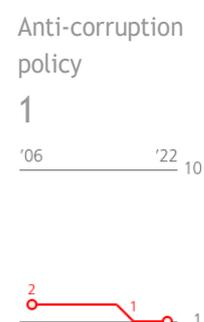
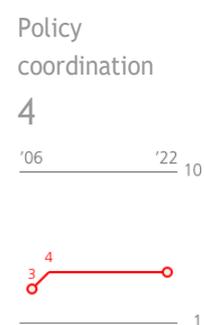
In order to enhance control over the state bureaucracy, decision-making processes are extremely hierarchical. Hence, even trivialities often require much more time than technically necessary. In addition, the empowerment of subnational levels – although a welcoming step to increase efficiency – through decentralization has only created formal bodies with very limited competences.

Due to the nature of highly centralized decision-making processes, effective policy coordination only takes place when Prime Minister Hun Sen is actively involved. With his substantial interpersonal network that effectively invalidates formal procedures, and his ability to pressure subordinates, he exercises overwhelming power. His behavior prevents the emergence of competent state institutions with their own impactful coordination capabilities. Beyond this general setting, the Office of the Council of Ministers and the Ministry of Interior feature the most significant coordination competences. The Ministry of the Interior officially controls the provincial and district governors (Cambodia's main sub-national levels). Its head, Deputy Prime Minister Sar Kheng, also efficiently coordinates with several other ministries. However, the Council of Ministers is powerful enough not only to coordinate the national cabinet, but to access province and district level actors directly, and as a result create parallel structures to the Ministry of the Interior. Frequently, control of numerous government councils sits with either the Council of Ministers or the Ministry of Interior.

As Hun Sen actively organized the government's response, the COVID-19 pandemic has not challenged policy coordination and coherence significantly. The visible policy coordination at least has been conducted in an effective manner to date.

By amassing enormous wealth Hun Sen – apparently by far the richest Cambodian – not only finances private social initiatives in order to increase his personal legitimacy, but also finances security forces that are loyal to him personally rather than the respective incumbent as head of government. Hence, grand corruption is systemically relevant for Hun Sen, who has established a kind of mafia-state. If he ever opens the door for far-reaching anti-corruption mechanisms, he would be ending his own reign. Consequently, the so-called Anti-Corruption Unit (ACU) has been established to control the corrupt networks and to ensure loyalty.

Integrity mechanisms such as auditing of state spending or transparency of the public procurement system only exist formally and are not enforced or judicially supervised. As petty corruption is often directly connected to superior corruption schemes,



policies to contain corruption in everyday life are also very difficult to implement. Although some improvements have been made in recent years, ultimately, they have only forced the perpetrators to become more creative in their activities. Approximately 27,000 government officials, parliamentarians and senators have to declare their assets and liabilities every two years. There are infrequent reports of assets seized from former corrupt government figures by the ACU.

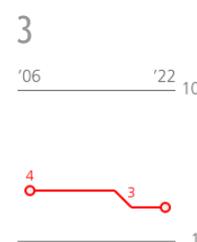
16 | Consensus-Building

Cambodia's complete transformation into a de facto one-party state has destroyed the democratic façade of the regime. With only traces of a liberal democracy in evidence previously, there was a theoretical albeit slim chance for a change in government through the ballot box, but the forced dissolution of Cambodia's main opposition party in 2017 put an end to this for the time being. There has not been any noteworthy resistance against Cambodia's backsliding on democratization from inside or outside the regime as most opponents fled the country or have been sidelined by politically motivated trials. Within the government, there are rumors that "doves" and "hawks" compete for influence over Prime Minister Hun Sen. While rather reform-orientated modernists lobby to appease the European Union and the United States with pro-democratic concessions, the hardliners want to nip any anti-government tendencies – a so-called "color revolution" through public mass protests – in the bud.

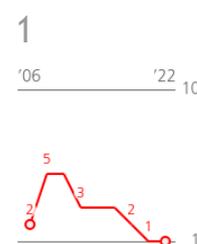
In recent years, the opportunity costs of the Cambodian economic model have become increasingly obvious as dependency on Chinese investors has steadily grown. While many Cambodians are suspicious of many Chinese business activities in the country, most of them do not agree with the plundering of natural assets in a trade for non-recurring gains for a corrupt elite. Nevertheless, the evolution of the economic system is not disputed by most political actors due to its output strength over the past three decades. It contributed significantly to higher living standards for most Cambodians despite several bureaucratic shortcomings. If the lip service paid to increasing efficiency in the public sector results in action, this would contribute to the consolidation of market economy principles.

Anti-democratic actors dominate Cambodia's political system. Political competition has been eliminated by the regime after the main opposition party CNRP was dissolved by court rule in 2017. Although several micro parties run in parliamentary elections, their leaders are too unknown and their operations too limited for their existence to challenge Cambodia's nature of a one-party state. Only a few NGOs dare to oppose the government on particular issues, however, most operate under strong self-censorship. Similarly, most media outlets are aligned with the government, which leaves very few loopholes for independent journalism. Within the government, checks and balances do not exist. There are technocrats in several ministries, but they do not question or oppose anti-democratic actions that are initiated or at least endorsed by Cambodia's strong man Hun Sen.

Consensus on goals



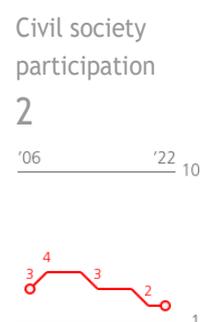
Anti-democratic actors



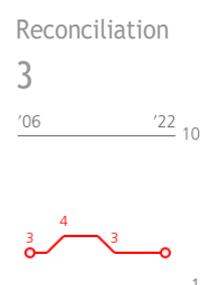
In Cambodia, cleavages are less pronounced than in some other neighboring countries. As Southeast Asia’s most homogenous nation regarding ethnicities, languages, and religions, conflict lines with respect to these characteristics have barely emerged. According to the self-concept of the ruling CPP, it does not seek to appeal to any particular social group, but the entire country. However, members of parliament do not represent the electorate. They represent the party leadership, and first and foremost Prime Minister Hun Sen. The “social consensus” appears to be decreed by the regime, rather than publicly discussed or negotiated (which, if it occurs at all, occurs behind closed doors). Under the surface new cleavages could easily emerge, prompted by uneven development, growing inequality, and allocation battles due to economic setbacks. A further crucial issue is the Chinese presence in the country – which is provoking discontent, something increasingly displayed in public.



With the provisions of the law on associations and non-governmental organizations adopted in 2015, the government was able to easily dissolve any undesired organization. The once vocal NGO scene lost a lot of its impact. Most organizations that address issues related to human rights violations, corruption, and abuse of power face threats and intimidation on a regular basis. In recent years, several civil society actors fled Cambodia to resettle or seek asylum abroad. Many of those who stayed had to increase self-censorship and adjust operations to less sensitive political issues. Although NGOs are still invited by several ministries to provide expertise in law drafting processes, in fact their impact on legislation is very limited. During the COVID-19 pandemic, the regime forwent the involvement of civil society actors in its response.



Since its establishment in 1997, the Extraordinary Chambers in the Courts of Cambodia (ECCC) have tried the senior leaders and the most responsible members of the Khmer Rouge for alleged violations of international law and serious crimes perpetrated during the Cambodian genocide. As a hybrid court founded by the Cambodian government and the United Nations, the ECCC combines national and international components with Cambodian and foreign judges. So far, three individuals have been sentenced – Kang Kek Iew (“Duch”), Nuon Chea and Khieu Samphan. At the time of writing, only the latter (89 years) was still alive while the others died in custody serving a life sentence. For years, a deep conflict persists between the Cambodian and international judges over whether additional former Khmer Rouge cadres should stand trial or not. While the international judges act independently and seek to try further cases, their Cambodian colleagues reflect the strong will of their government to avoid new accusations. Despite this operational self-paralysis, the ECCC’s donors and the Cambodian government still agreed on a budget for 2021 that would total \$380 million.



For many years, the Cambodian public has lost interest in the court proceedings due to its lengthy and complicated implementation. In addition, the interference of the Cambodian government has been so rampant that the tribunal’s findings even fall

short of evidence historians have already documented. By protecting middle and lower ranking cadres from prosecution, the regime – consisting of former Khmer Rouge officers such as National Assembly president Heng Samrin and Prime Minister Hun Sen – successfully prevented a debate over who made the genocide possible. Ultimately, the manipulation of the ECCC has contributed to the fact that public awareness of the atrocities remains at a very low level. Therefore, the government can easily combine remembrance with its own propaganda, primarily during the public holidays on January 7 that commemorates liberation from the Khmer Rouge in 1979 and the National Day of Remembrance – called the “Day of Anger” – on May 20.

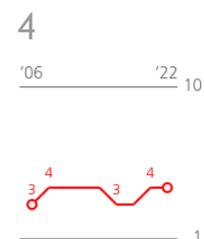
Remembrance of crimes committed after the Khmer Rouge fell does not exist because most of them are directly connected to the current rulers, especially Hun Sen. Major crimes include the K5 plan between 1985 and 1987, the killings during election campaigns in 1993, 1998, 2002, and 2003, as well as bloody incidents in 1997 – the assault on an opposition rally and the bloody coup d’état of Hun Sen staged against his royalist coalition partner. In addition, several individuals, primarily opposition politicians and other critics of the government, have been murdered since the early 1990s. Some Cambodians abroad – usually members of the dissolved CNRP – commemorate these felonies.

17 | International Cooperation

For about two decades, the Cambodian government has formulated a rather informal development strategy, consisting of a close economic cooperation – mainly acting as an extended workbench for manufacturing in the apparel industry – with the People’s Republic of China (PRC), which also provides enormous financial support. Up to 2017, the country had received approximately \$4.2 billion in Official Development Assistance (ODA) from China in the form of grants and soft loans. Between 2019 and 2021, the Beijing government pledged an additional \$588 million. More and more Chinese business people and experts advise Cambodian ministries and its parliament. While Cambodia benefits greatly from developing large-scale infrastructure projects and military assistance, the country has increased its dependency on China considerably. Although Prime Minister Hun Sen frequently rejects any notion that Cambodia is effectively a Chinese vassal state, his government’s actions indicate that the PRC wields a high degree of leverage over this strategically located country in mainland Southeast Asia.

At the same time, the influence of Western democratic states on Cambodia has waned considerably. With respect to the ongoing violation of democratic principles, the European Union suspended trade privileges under the “Everything But Arms” scheme on August 12, 2020 by 19% of the 2018 trade volume (equal to \$1 billion). Similarly, the United States plans to provide \$85 million bilateral aid to Cambodia

Effective use of support



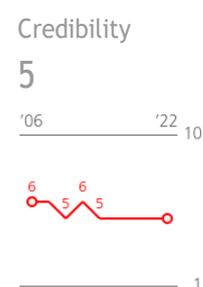
only when the country will “assert its sovereignty against interference by the People’s Republic of China” according to the Consolidated Appropriations Act 2021. Despite Cambodia’s dependency on (Western) industrialized states as its main export markets for products of the garment and shoe industry, it is likely that relations with these states will further deteriorate as the Cambodian government is neither interested in promoting democracy nor in modifying its partnership with China.

During the COVID-19 pandemic, Cambodia received funds to curtail the spread of the virus from different bilateral sources. The aid included both grants and technical assistance although Cambodia – with only 465 reported cases up to January 31, 2021 – was the fourth lowest country globally in cases per capita and has so far escaped the brunt of the pandemic in terms of an adverse impact on health.

In its response to the COVID-19 pandemic, Cambodia’s international credibility has not been affected, as the government’s engagement in both international and multilateral efforts to coordinate the response appeared in general reasonable and appropriate. Most international measures such as temporary travel bans for passengers of certain countries and a mandatory quarantine for anybody entering Cambodia appeared reasonable and adequate. However, in February 2020 the country risked a possible spread of the virus when it allowed the cruise ship MS Westerdam to dock in Sihanoukville after Philippines, Japan, Guam, and Thailand denied disembarkment of the vessel in their harbors. Similarly controversial was the preferential treatment of Chinese guests to Cambodia in the early stages of the pandemic and the one-day visit of COVID-19 infected Hungarian Foreign Minister Peter Szijjarto in November 2020, which apparently led to the first community outbreaks in the country after all previous cases had been directly imported.

Beyond its actions in response to the pandemic, the Cambodian government has damaged its international credibility considerably. By eliminating the CNRP as the only relevant opposition party in 2017, the regime seriously violated the Paris Peace Accords of 1991, which were supposed to end the civil war and transform Cambodia into a liberal democracy. As they were signed not only by Cambodia’s conflict parties including Hun Sen’s CPP, but also nineteen countries, the trend toward autocracy of the current regime features a much stronger international dimension compared to other countries with a similar transition. With the partial suspension of trade privileges, the European Union has already sent a clear message of deprecation.

Despite the fundamental violation of the Paris Peace Accords, generally Cambodia is willing to cooperate reliably with international partners as the country has ratified several international treaties and conventions. However, the government often falls far short of transferring these obligations into its own legislation and implementing them accordingly. Within the United Nations, for years Cambodia has maintained activities in peacekeeping missions in Africa and the Middle East. According to government figures, since 2006 Cambodia has dispatched more than 6,500 personnel



to join U.N. peacekeeping missions. At the time of writing, Cambodians are deployed in Mali, South Sudan, Central African Republic, and Lebanon.

However, serious conflicts persist with certain U.N. bodies and activities, namely the United Nations High Commissioner for Human Rights and U.N. special rapporteurs on the situation of human rights in Cambodia. As a frequent recipient of criticism regarding the violation of basic political rights, the regime usually rebuffs such remarks by stressing Cambodia's national sovereignty.

Cambodia's role as a strong backer of Chinese strategic interests in the region has provoked increased criticism from its Southeast Asian neighbors. Due to the principle of unanimity within intergovernmental meetings of the Association of Southeast Asian Nations (ASEAN), Cambodia is able to prevent any activities or even discussions within the body that could offend the interests of Beijing. In October 2020, a retired Singaporean diplomat indicated that ASEAN might one day be forced to expel Cambodia, together with Laos, due to their close relationship with the People's Republic of China. The main dispute driver is China's ambitions in the South China Sea, where the PRC's claims overlap with most of its Southeast Asian neighbors, first and foremost Vietnam and the Philippines, but also Malaysia and Brunei Darussalam. As it has always been a clear objective of China not to multilateralize this dispute, Cambodia has successfully prevented any approach to develop a common ASEAN standpoint at least since 2012.

Since 2019 Chinese military ambitions in the Gulf of Thailand – northwest of the South China Sea with neighboring Cambodia, Malaysia, Vietnam, and Cambodia – have become obvious. There is some evidence that China enjoys exclusive access to a part of the Ream Naval Base (for a period of 30 years). In addition, there is further indication that the Dara Sakor International Airport in southern Cambodia could emerge as a Chinese airbase. If these plans materialized, China would increase its military presence and influence in Southeast Asia significantly. In the context of its offensive approach in the South China Sea, this potential move has serious ramifications for Southeast Asia's security architecture. In particular, Chinese military bases at the coast of the Gulf of Thailand pose a fundamental security threat to Cambodia's eastern neighbor, Vietnam.

Regarding regional economic cooperation, by contrast, Cambodia does not play a nonconstructive role. In November 2020, the country was one of 15 founding members of the Regional Comprehensive Economic Partnership (RCEP), a free trade agreement of ASEAN member states, the People's Republic of China, Japan, South Korea, Australia, and New Zealand. Representing approximately 30% of the world's population and 30% of global GDP, RCEP constitutes the biggest trade bloc in history.

Regional cooperation



Strategic Outlook

Cambodia's short-term prospects are directly connected to the global management of the pandemic. With its close integration in global trade and as an attractive tourist destination, macro developments – global economic trends, supply chain shifts, speed of vaccination – are more crucial than activities within the country. Although the World Bank predicts a growth in GDP of 4.3% in 2021 and 5.2% in 2022, Cambodia requires appropriate policies to avoid social issues emerging as poverty likely increases due to higher unemployment, less income, and private indebtedness. In theory, fundamental political reforms that contribute to the rule of law, accountability of government action, and a more efficient state bureaucracy could boost both Cambodia's public sector management and economic competitiveness. However, such reforms would undermine the patronage patterns of the ruling CPP and the major pillars of Prime Minister Hun Sen's power apparatus. Hence, the country remains a hostage of its ruling elite, which is seeking to transfer political power to a younger generation in the coming years: the establishment of enduring dynasties with the Hun clan at the summit appears to be the primary goal of the CPP leadership.

Despite his age there is no indication that Hun Sen (born 1952) will step down as Cambodia's prime minister before 2025. Quite the opposite. Even when he abandons the position as head of government, he is likely to remain the most powerful individual in Cambodia in his lifetime regarding the strategic development of the country. Therefore, discussions about potential successors appear to be red herrings and quite irrelevant for Cambodia's future prospects. Under these conditions, the country will only gradually overcome its neo-patrimonial political system with its endemic corruption and nepotism. Its dilemma: to develop a modern, diversified economy with a premodern understanding of political rule could remain one major characteristic in the short to medium term.

Domestically unchallenged, only one external shock could endanger the regime's power structure: falling foul of Beijing. The ending of Beijing's extensive political and economic support would pose the greatest possible challenge to Hun Sen and his cronies. However, as both partners currently benefit from this neo-colonial partnership, there is no indication that this will happen in the short or long term. Furthermore, with its strong pro-China foreign policy and anti-democratic behavior, Cambodia actively contributes to its deteriorating relations with the United States, most European countries, and Japan. This, in turn, contributes to intensified cooperation with China and Chinese aligned countries, for example in Africa, as well as in Central and Eastern Europe.

The worst case scenario would be an emergence of a new cold war between China and the United States. As many of Cambodia's Southeast Asian neighbors are in a position in which they have to defend their immediate security interests against Chinese ambitions, once again in history Cambodia could become a state caught in the middle of a conflict between greater powers.