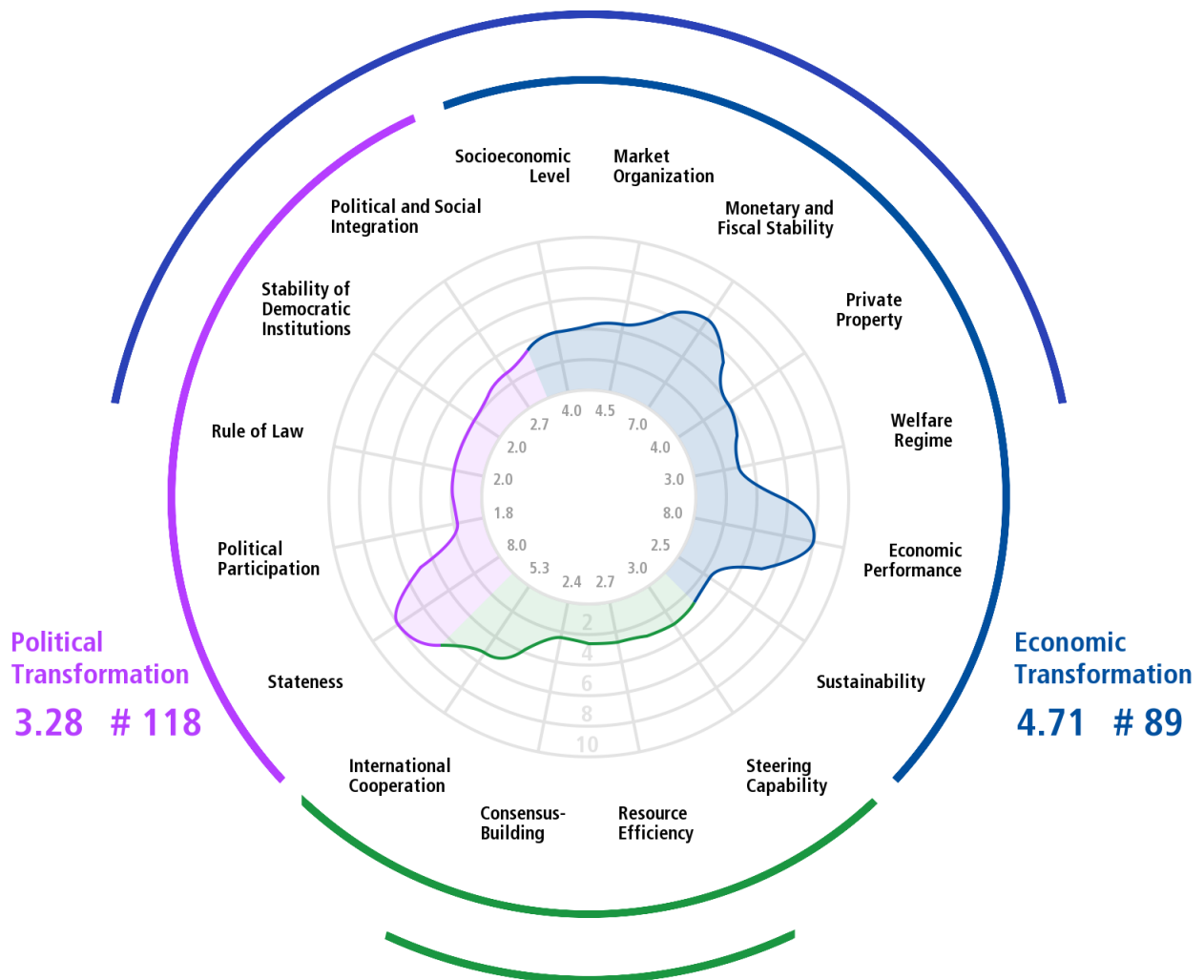


# Cambodia

## Status Index

**4.00 # 110**

on 1-10 scale out of 137



**Political Transformation**  
**3.28 # 118**

**Economic Transformation**  
**4.71 # 89**

## Governance Index

**3.14 # 121**

on 1-10 scale out of 137

This report is part of the **Bertelsmann Stiftung's Transformation Index (BTI) 2020**. It covers the period from February 1, 2017 to January 31, 2019. The BTI assesses the transformation toward democracy and a market economy as well as the quality of governance in 137 countries. More on the BTI at <https://www.bti-project.org>.

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**Key Indicators**

Population	M	<b>16.2</b>	HDI	<b>0.581</b>	GDP p.c., PPP \$	<b>4354</b>
Pop. growth <sup>1</sup>	% p.a.	<b>1.5</b>	HDI rank of 189	<b>146</b>	Gini Index	-
Life expectancy	years	<b>69.3</b>	UN Education Index	<b>0.476</b>	Poverty <sup>3</sup>	% -
Urban population	%	<b>23.4</b>	Gender inequality <sup>2</sup>	<b>0.474</b>	Aid per capita \$	<b>52.7</b>

Sources (as of December 2019): The World Bank, World Development Indicators 2019 | UNDP, Human Development Report 2019. 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

Between 2017 and 2019, Cambodia regressed further toward autocracy. In June 2017, the Cambodia National Rescue Party (CNRP), the only relevant opposition party, won almost 44% of the popular vote in commune elections. In response, Prime Minister Hun Sen of the ruling Cambodian People's Party (CPP) ordered the arrest of opposition leader Kem Sokha in September 2017. In November, the Supreme Court ordered the dissolution of the CNRP in a politically motivated lawsuit. Consequently, Hun Sen's CPP won all 125 seats of the National Assembly in parliamentary elections in July 2019. Dominating the Senate and all 1,646 commune councils except one, Cambodia has become a de facto one-party state. Further anti-democratic actions targeted freedom of speech with the closure of the respected Cambodia Daily and several radio stations in September 2017. An involuntary change in ownership of the previously independent Phnom Penh Post was effected eight months later.

There was little resistance against this purge. Firstly, the two wings of the CNRP represented by Kem Sokha and co-party leader Sam Rainsy and are at odds with each other, effectively impeding a united stance against government pressure. Other parties are too weak to replace the CNRP. Secondly, intimidation and threats against independent actors have been highly effective, especially ahead of parliamentary elections. Lastly, populist policies enacted by the ruling party have prevented the emergence of a powerful anti-government movement based on general dissatisfaction. Nevertheless, rampant corruption and growing social inequality have contributed to the regime's decreasing popularity.

The Cambodian economy remained widely unaffected by these political events. Economic growth – accompanied by respectable successes in poverty reduction – has been fueled by Chinese investors in large-scale infrastructure projects, real estate and manufacturing industries. However, it is unclear whether this steady growth is sustainable. While the plundering of natural resources – almost exclusively by companies linked to high-ranking government officials – has continued unabated, the possible suspension of trade facilitations granted by the European Union (as an

immediate reaction to Hun Sen's autocratic actions) could become a considerable strain for the export-orientated apparel industry, which has a great significance for the entire Cambodian economy.

## 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. Although the royalist FUNCINPEC party defeated the post-socialist Cambodian People's Party (CPP), the rivals agreed to create a coalition government with two prime ministers Prince Norodom Ranariddh (FUNCINPEC) and Hun Sen (CPP).

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 CPP and FUNCINPEC were deeply divided and shifting factions within the parties further eroded the stability of the coalition. In 1997, Ranariddh was ousted by Hun Sen in a coup d'état. Cambodia's accession to ASEAN was postponed following large-scale international criticism of Cambodian politics and pressure exerted by external donors on the government to allow a return of pluralism.

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 the murder of government critic Kem Ley in 2016, the closure of the Cambodia Daily newspaper and several radio stations in 2017 and the forced involuntary change in ownership of the Phnom Penh Post, freedom of opinion has been severely curtailed. In November 2017, the CNRP was dissolved by the Supreme Court in a purely political trial after winning 43.8% of the popular vote in commune elections five months 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 is heavily 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% since 2010 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. With a strong reliance on the apparel industry, Cambodia's economy is insufficiently diversified and still lacks skilled workers, energy at affordable prices and adequate transport infrastructure.

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

The central state has full control of the entire Cambodian territory with only a few exceptions. The strong presence of Chinese businesspeople, workers, mafia, and tourists in the coastal city Sihanoukville challenges the state in upholding its monopoly on the use of force, but to date fears of a territorial enclave in which certain actors systematically override the state's authority have not been realized. Other endogenous constraints only exist because of general weak law enforcement, enabling arbitrary actions of local authorities particularly in northeastern provinces.

Exogenous limitations occur from disputed border demarcation with neighboring countries Laos, Thailand, and Vietnam. In February 2017, hundreds of Laotian troops breached a “white zone” to halt Cambodian military engineers who were constructing a road on what the former claimed to be Laotian territory. By contrast, border conflicts with Vietnam and Thailand have gradually eased over recent years, although they have not been officially settled. Especially to the east of the Mekong, several companies owned by the Vietnamese army possess economic land concessions, including directly on the common border.

Ethnically and culturally, Cambodia is the most homogenous country in Southeast Asia, with a history spanning over 1,200 years. Cambodians self-image is deeply rooted in their identification with “Srok Khmer” (Land of the Cambodians). The state, however, which has been weak for centuries and has been a remote experience for the vast majority, is far less prominent. The complete failure of public order in the second half of the 20th century has further contributed to social distrust, extensive skepticism toward the state and even the temporary eradication of the “Khmer Nation.” With the emergence of a new generation over the last three decades, the impact of the violent past in shaping people's self-image is decreasing. As state-building efforts continue to bear fruit, the nation-state is becoming increasingly accepted.

Question  
Score

Monopoly on the  
use of force

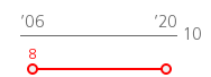
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1

State identity

8



1

Generally, there is no legal discrimination against ethnic minorities and indigenous people in Cambodia. Article 31 of the constitution guarantees all citizens the same rights “regardless of race, color, sex, language, and religious belief.” Those born to at least one Khmer parent are entitled to citizenship, irrespective of place of birth. Those born in the kingdom to foreign parents living legally in Cambodia also acquire Khmer citizenship at birth. Naturalization is the standard process for foreigners wishing to become Cambodian citizens. In practice, the Vietnamese ethnic minority suffer most from latent racism. Although a growing number of them hold Cambodian citizenship, they are affected by a purely ethnic interpretation of “Khmerness,” which can have a potential impact on their status as citizens.

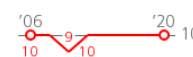
Since the fall of the Khmer Rouge, political and religious leaders have established a modus vivendi between religion and politics, including close cooperation between the state and the two main Buddhist sects. The constitution of 1993 states that “Buddhism shall be the religion of the State” (article 43). Article 13 declares that two supreme Buddhist dignitaries shall be members of the nine-headed Throne Council that elects the king. In addition, the state shall help promote and develop Pali schools and Buddhist institutes (article 68). Generally, Cambodia’s legal framework and institutional arrangements are completely based on secular norms and positive law.

In article 43, the Cambodian constitution declares that the state guarantees “freedom of belief and religious worship.” While 95% of Cambodians are Buddhist, adherents of the Christian, Muslim and other faiths have the right to exercise their religions freely. Non-Buddhist believers do not run the risk of harassment, and religious charity organizations can operate freely in Cambodia. During the last few years however, Christian Montagnards fleeing persecution in Vietnam have faced harassment when arriving in Cambodia (usually, they leave Cambodia within days to resettle in third countries). According to a 2017 report by the United States State Department on religious freedom in Cambodia, there are still societal barriers to the integration of the predominantly Muslim Cham people. The report also quotes a speech made by Prime Minister Hun Sen in which he expressed support for Muslim teachers across the country and praised the government for facilitating their integration into the public education system.

Cambodia’s state administration remains characterized by inefficiency, corruption, and bureaucracy in most policy areas. The vast majority of civil servants are chosen on the basis of their loyalty to the ruling CPP, relationships with major decision makers and their ability to buy themselves into office. Usually, formal qualifications are irrelevant. A few exceptions exist in ministries led by technocrats who are more reform-orientated (see criterion 14.2 – implementation). Nevertheless, Cambodia’s public administration is subject to the patronage system of the ruling party. While legislation is often protracted, laws are seldom fully implemented due to weak law enforcement. In particular, while taxation efforts have been intensified for years, they still tend to affect only those who are willing to comply. By contrast, there is still

No interference of religious dogmas

10



1

Basic administration

5



1

plenty of scope to elude taxation. Jurisdiction is generally biased towards the ruling party's interests and favors the executive branch, security forces, leading politicians and entrepreneurs.

In rural areas, access to some basic public goods is not generally ensured. According to the World Bank, only 42% of the population in Cambodia had access to improved sanitation facilities in 2015, the second lowest percentage in the region. Data from previous years do however indicate a modest growth in this figure of one to two percentage points per annum. In 2015, 76% of the Cambodian population had access to an improved water source, up from 53% a decade before. Health care facilities are rare and poorly equipped, even in most provincial capitals. In cases of emergency, people must travel to Phnom Penh or seek treatment abroad. While primary and secondary schools exist nationwide, tertiary education facilities are limited to Phnom Penh and some provincial capitals. Although the government has been intensifying road construction for a number of years, people in remote areas still lack easy access to urban centers. As the quality of newly built roads is often poor, they tend to last only a couple of years as maintenance is usually neglected.

## 2 | Political Participation

Cambodian citizens are entitled to elect commune councilors and members of the lower house of parliament, the National Assembly, every five years. Every six years, commune councilors and members of parliament vote for the Senate, Cambodia's first legislative chamber. Only parties enjoy passive suffrage. Individuals are not allowed to stand as candidates.

While the degree of competition in Cambodian elections has always been limited, the latest parliamentary elections in July 2018 were entirely unfree and unfair. It is an open secret that the CNRP, the only relevant opposition party, was dissolved by the regime because it had a realistic chance to win elections even under slightly unfair conditions. By destroying the one and only challenger for political power, Hun Sen and the CPP proved that they are only willing to tolerate multiparty elections as long as other parties pose no genuine threat. Although 19 other parties participated in the elections, they did not win a single seat in the National Assembly, underscoring their irrelevance in the political system.

The 5,007 seats won by the CNRP in 2017 nationwide commune elections have been redistributed to other parties. By taking 4,548 of them, the CPP now holds 95.5% of all seats and controls all commune councils except one. Before its dissolution, the CNRP held a majority in 489 communes. Consequently, the CPP took all 58 seats eligible for elections in 2018 indirect senate elections, complemented by four appointed royalist senators.

Free and fair elections

2

'06 '20 10





With a one-party parliament and the CPP's grip on the Senate and commune councils, Cambodia has become a de facto one-party state. Nevertheless, the regime still adheres to a facade of democracy for the sake of internal and external legitimacy. Therefore, it was important for the CPP to achieve a high turnout in the last parliamentary elections, which allegedly saw the participation of 83% of 8.38 million registered voters. The mobilization of the vote saw reports of threats and intimidation. 76.9% of the popular vote went to the ruling party, while 8.5% of votes were ruled invalid, probably a symbol of resistance in parts.

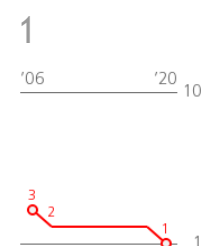
At the time of writing, it was unclear whether the CNRP will be allowed to resume operations in the near future. However, its competitiveness seems to have been considerably reduced, making it unlikely to regain the popularity it had before its dissolution (see criterion 5.1 – party system). Even if the CNRP or another party gains substantial support, it seems unlikely that they would be allowed to participate in elections by the ruling party.

In Cambodia, all political decision makers are subject to the direct authority of Prime Minister Hun Sen. On several occasions he has used his position to override decisions made by upper echelons of government and even existing laws. These occasions often relate to populist politics; such decisions are usually announced by the prime minister in speeches or on his Facebook account, apparently without consultations with the relevant government bodies. While these interventions appear comparatively harmless to the political system as a whole, decisions made to eliminate effective political competition in Cambodia are not. Given the strong hierarchic structure of the government, in addition to Hun Sen's tendency to exert control over even routine decisions, it is obvious that the game-changing decision to dissolve the CNRP reflects his exclusive power to exercise his will using the formal tools of the state apparatus.

The backbone of this power is Hun Sen's bodyguard militia that has become infamous for several human rights violations since its establishment in the 1990s. Other major bodies that serve in the exercise of his power include the anti-corruption unit (ACU) that – acting against its actual *raison d'être* – controls the patronage system, the military police (or *gendarmierie*), the anti-terrorist unit within the Royal Cambodian Armed Forces (RCAF) and several intelligence entities. Two influential positions in this security apparatus are held by his sons Hun Manet and Hun Manith (see criterion 13.1 – structural constraints).

Since 2015, the Cambodian government has increased its pressure on organizations that campaign prominently for human rights, rule of law, democracy and political participation. Under the 2015 law on associations and non-governmental organizations (LANGO), the ministry of interior can deregister associations and organizations for legitimate criticism of the government or political parties, citing a violation of the “political neutrality” required by LANGO. With the dissolution of environmental NGO Mother Nature and the shutdown of the Phnom Penh office of the National Democratic Institute (funded by the United States Department of State),

Effective power to govern



Association / assembly rights

2

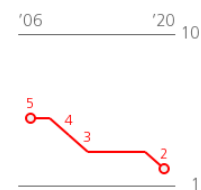
both in mid-2017, the ministry made a strong example of critical organizations. Simultaneously, harassment, threats, and intimidation of civil society actors have contributed to the re-emergence of a climate of fear, inducing extensive self-censorship amongst activists. Several activists have left Cambodia and resettled abroad (some were recognized as asylum seekers). In relative terms however, Cambodia still possesses one of the more vibrant NGO communities in Southeast Asia.

Although freedom of assembly is guaranteed by the constitution (article 41), it is often denied to groups that are not controlled by the regime. Rallies in Phnom Penh have not allowed for years, even on Human Rights Day, which is a public holiday in Cambodia. Public events that commemorate serious human rights violations that occurred under the current government and gatherings that could be regarded as political have become rarer compared to previous years.

In 2017 and 2018, the last remaining independent newspapers in Cambodia disappeared. In September 2017, the Cambodia Daily terminated operations due to an alleged tax liability of \$6.3 million. No evidence was provided by the government to justify this claim. Due to a similar reason – a tax liability of \$3.9 million – the Phnom Penh Post was sold to a Malaysian investor with close relations to the Cambodian government in May 2018. Immediately after, more than a dozen staff including the editor-in-chief and all international journalists left the Post more or less involuntarily. Afterwards, the new management enforced a much less critical reporting style that altered the character of the paper completely.

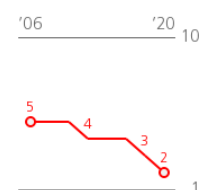
In parallel to these events, the government tightened its already firm grip on electronic media. It already had almost total control of TV and radio when in July 2018, it ordered local internet service providers to block the websites of 15 independent news outlets for two days before and during the country's election. In 2017, more than 30 radio stations that rented airtime to American broadcasters Radio Free Asia (RFA) and Voice Of America (VOA) were shut down. RFA closed its operations in Cambodia in September 2017, claiming that a crackdown on the media had made it impossible to continue. In November 2018, the government signaled its support of the reopening of the Phnom Penh offices of RFA and VOA, without however clarifying the conditions under which both broadcasters could resume operations. At the time of writing, independent media comprises only Radio France International (RFI), online outlet Thmey Thmey, the Women's Media Center (which has its own radio license) and the Southeast Asia Globe with its monthly magazine and additional online reporting.

In May 2018, the government ordered all domestic and international internet traffic in the kingdom to pass through a Data Management Centre (DMC) that has been newly created by state-owned Telecom Cambodia. It enables the government to monitor and censor critics; immediately after this order, three ministries assigned specialized units to monitor social media posts. Websites are now required to register



Freedom of expression

2



with Cambodia’s ministry of information. “Fake news” posted on websites and social media platforms could see perpetrators jailed for two years and fined \$1,000. Several people have already fallen foul of this new regulation.

Amendments to the criminal code, adopted by the National Assembly in February 2018, created penalties for violating the new *lèse-majesté* law of between one and five years in prison and fines ranging from \$500 to \$2,500. In 2018, one man was arrested for comments he made on Facebook accusing the king of bearing responsibility for the dissolution of the CNRP. While he was in custody, another man was arrested and sentenced to one-year imprisonment for sharing an allegedly offensive photograph of the king on social media.

### 3 | Rule of Law

The executive branch dominates the political system. All seats in parliament belong to political parties, and a lawmaker who leaves a party or is formally barred loses his seat. Prime Minister Hun Sen is president of the ruling CPP party and exerts a top-down management approach. Consequently, CPP members of parliament are responsible to their head and not to voters in a particular constituency. With a one-party parliament, the legislative is under full control of the executive. Almost every day Cambodian courts offer proof that they are not independent, but subordinate to the executive. It is an open secret that the dissolution of the CNRP by the Supreme Court in November 2017 was not simply politically biased, but mandated by the administration. Similarly, processes against former opposition leaders Sam Rainsy and Kem Sokha between 2015 and early 2019 have always favored the regime.

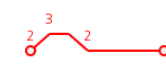
The Constitutional Council is empowered to “guarantee the observance and respect of the constitution, interpret the constitution and laws adopted by the National Assembly and reviewed by the Senate” as stipulated in article 136 of the Cambodian constitution. However, it is not entitled to overrule court decisions. Instead, it only determines whether adopted laws respect the constitution and has the right “to examine and decide on disputes concerning the election of members of the National Assembly and the election of Senators” (article 136). For the past two decades, six out of nine members of the council have been nominated by the CPP, while the king is entitled to appoint three members. Since 2017, the national election committee has again been under full control of the ruling party, as it was before 2015.

According to the NGO Cambodian Center for Human Rights (CCHR), the judiciary has made some technical improvements. For a 2018 report, CCHR monitored cases before the court of appeal and found that a number of key fair trial rights were respected, including protections against double jeopardy and non-retroactivity as well as the right to understand charges, the right to adequately prepare one’s defense and the right to a public judgment. However, many areas of concern remain. Often, the presumption of innocence is not fully respected, and insufficient attention is given to

Separation of powers

2

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Independent judiciary

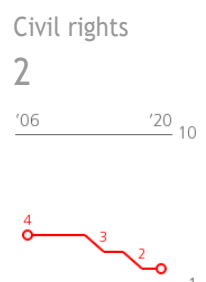
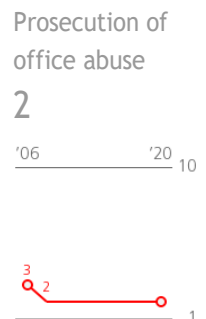
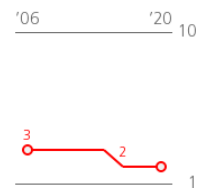
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allegations that a confession – which often form the basis for convictions – was obtained under duress or violence. In more than 65% of the cases monitored by CCHR, judges failed to inform the defendant of their right to remain silent. While the right to legal representation is not always respected, the lack of respect for the right to a reasoned and written judgment violates international standards.

Political interference in court proceedings tends to be the rule than the exception. In September 2017, opposition leader Kem Sokha was arrested on charges of treason. After 53 weeks in pretrial detention in a prison in Tbong Khmum Province, he was put under house arrest in Phnom Penh. At the time of writing, Sokha has not been formally accused by the Phnom Penh municipal court. If found guilty by the court, he faces up to 30 years imprisonment. Sam Rainsy, co-founder of the CNRP, has been sentenced in absentia on different charges to more than six years in prison upon his return to Cambodia. The decision to dissolve the opposition was officially made by the Supreme Court on November 16, 2017, after a five-hour trial and two hours of deliberation with no legal representation of the CNRP. The verdict – which could not be appealed – was announced by presiding judge Dith Munty, who is also a senior member of the CPP. The case relied on a single narrative: that the CNRP was attempting to overthrow the government through a so-called “color revolution” aided by the United States.

The separation of public office and private sphere is ill-defined. The intensity of public office abuse is widespread and provides evidence that the post-civil war period endures. The majority of ministries and subordinated departments continue to follow the Cambodian logic of patronage, including systematic nepotism and personal enrichment. This system is a mechanism of redistribution in which most civil servants in middle positions and virtually all of those in higher positions must share their income with their superiors and the CPP. Usually, the financial lucrativeness of any position is known to the party leadership and determines the unofficial fees that are paid as an entrance charge and or on a continuous basis. Consequently, corruptive practices are a direct consequence of this, as these fees are usually a greater amount than the salary. No less significant is the element of control in the system, as corrupt officials run the risk of being prosecuted if they display disloyalty. This risk upholds compliance and discipline among Hun Sen’s followers. His most important tool is the anti-corruption unit that – instead of enacting its duties – supervises his patronage system (see criterion 15.3 – anti-corruption policy).

Although the Cambodian Constitution guarantees all important civil rights for Khmer citizens and some universal human rights, de facto civil rights are generally subject to the regime’s discretion. They are only respected by the regime when they do not interfere in its exercise of power and self-enrichment. Violations of civil rights occur in waves – repressions mount whenever the power of the CPP is challenged, as it has been before parliamentary elections and when other parties have refused to recognize an allegedly fraudulent victory of the CPP. By contrast, when the regime perceives a



certain degree of security, repression decreases. Most significantly, after the CPP won every seat in parliament in the 2018 general elections, the number of political prisoners fell to just three (as it stands at the time of writing) according to human rights organization LICADHO. In summary, while there is a complete failure of codified civil rights acting as a secure protection against state despotism, the government pursues its goals using a limited degree of repression compared to similar autocratic regimes. However, the potential for repression to be escalated is high, and it would appear that Prime Minister Hun Sen revives it regularly to keep opponents in check (see 13.3 – conflict intensity).

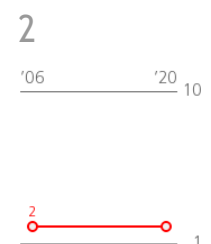
In such a political environment, members of certain police units, the gendarmerie and the military in particular feel untouchable. Usually, rights violations committed by those who defend the interests of the regime pass without being sanctioned, or if they are, only inadequately. This increases the probability of civil rights violations – especially of judicial rights (see criterion 3.2 – independent judiciary) – in apolitical cases, too. People in police custody are rarely protected from violent treatment. Notably, there are still no specific measures to protect the most vulnerable groups such as women, children, indigenous minorities and socially marginalized people. Transgender couples depend on their commune chiefs to obtain a family book, and some must register as siblings in order to live together. Due to weak law enforcement, transgender couples are often able to adopt children. Nevertheless, they face disadvantages in everyday life as Cambodians traditionally view LGBTI practices as unnatural and a threat to the social order.

#### 4 | Stability of Democratic Institutions

After a brief phase of political competition and power sharing between the CPP and the royalist FUNCINPEC in the 1990s, Cambodia has become a democracy only in name and is in practice exclusively dominated by Hun Sen. On the one hand, democratic institutions exist as stipulated by the constitution. On the other, these are entirely undermined by the informal authoritarian rules of the CPP's patronage system. Whenever democratic rules are convenient, they are respected by the regime – if not, they are completely ignored. The case of the dissolved CNRP confirmed this principle once again. The existence of an opposition has only been accepted by the regime for as long as it could not compete for power effectively. In the period since the bloody coup d'état in 1997, there has been no violation of the democratic constitution as serious as the dissolution of the CNRP in 2017.

In theory there are formal institutions in Cambodia that offer checks and balances, including two houses of parliament and sub-national institutions such as communes. Cambodia also has the ability to hold acceptable elections, a fundamental precondition for a functioning democracy. However, with strong centralized decision-making, strict hierarchies within the patronage system and efficient control capacities, these institutions are currently unable to develop their democratic potential and remain largely tokenistic.

Performance of democratic institutions



The dissolution of the CNRP in November 2017, the only relevant political actor besides the CPP, represented the peak of a continuous trend toward autocracy initiated in mid-2015. Observing this trend, some NGOs communicated reservations or even criticism that many actions such as several legal amendments, persecution of critics and politically-motivated court judgments could be unconstitutional. In the past, progressive government officials with technocratic attitudes, and those who did not question the CNRP's right to exist, were able to express their views behind closed doors. Now they have become increasingly silent. This self-censorship is based on fear of losing official function, social status, wealth and freedom. As a result, no senior government official has resigned on the basis of Hun Sen's autocratic actions. There are neither senior politicians nor followers who are willing to show effective commitment to protect democratic institutions, meaning there are currently very few indications that the regime could initiate change internally.

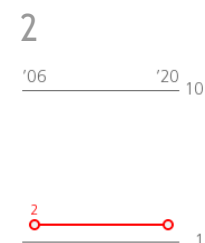
Authoritarian leadership models prevail in other sociopolitical organizations. While the CNRP upholds an image as a democratic champion particularly for the benefit of an international audience, similar to most other political parties it has always been dominated by its leaders who have failed to establish democratic structures. Many NGOs now refrain from advocating for civic, liberal, and democratic principles as they had done before 2015 for fear of repercussions. In some cases, the NGOs have themselves established a strong top-down internal organization and are dominated by a few individuals, affecting their image as democratic role models.

## 5 | Political and Social Integration

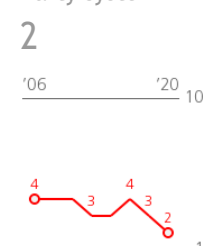
Cambodia has become a de facto one-party system since the dissolution of the CNRP in 2017. Other parties – in total 20 participated in parliamentary elections 2018 – are hardly more than fig leaves that act to cover the omnipotence of the CPP in a pseudo party system. Notably, the royalist FUNCINPEC and several other minor parties strongly favored the dissolution of CNRP, apparently in the mistaken assumption that they would benefit from its demise. After the election that resulted in a single party parliament, the government established a new “Consultation Forum” consisting of political parties' representatives. This unconstitutional body – ostensibly to give advice on and draft policies as well as monitor the implementation of laws at national and sub-national levels – was established by a royal decree and comprises 30 members in total. The members are deemed to be governmental advisors with an official salary. Only four parties – the Grassroots Democratic Party, the League for Democracy Party, the Khmer Anti-Poverty Party and the Our Motherland Party – rejected membership.

Most Cambodian parties including the CPP are managed with a top-down approach using strict hierarchies. Leaders normally represent the materialist interests of their clients instead of certain policies. Therefore, as patronage groups they are unable and

Commitment to democratic institutions



Party system





unwilling to articulate and aggregate societal interests. Although the CNRP was more successful in addressing a broad electorate, it has always been dominated by its leaders, Sam Rainsy and Kem Sokha, who refrained from establishing modern democratic party structures. At present, it exists in exile as a loose association called Cambodia National Rescue Movement (CNRM). After the government withdrew a five-year political ban on 118 CNRP politicians – imposed in the course of its dissolution – in January 2019, the CNRP or a successor party could theoretically resume operations. At the time of writing however, a return seems unlikely due to the generally hostile stance of the government and other unacceptable conditions. Besides this, the two sides of the party represented by Rainsy and Sokha are at odds with each other, put into question whether the CNRP could ever return as the popular party it was before its dissolution.

Most interest groups and cooperative associations are closely linked to the ruling CPP. Thus, they are part of the patronage system and its hierarchy. This arrangement significantly decreases the emergence of groups representing more controversial or sensitive issues. When dealing with government officials, existing organizations tend to prefer an advocacy approach of contributing expert knowledge and factual arguments where possible. Public campaigns are rare and only take place when they are orchestrated by the regime.

Independent mass organizations are perceived as a potential threat by the regime, which has successfully contained their influence. Very few unions exist and with approximately 3,000 officially registered, the labor movement is highly fragmented. Strikes have become very risky, as they could easily be declared illegal by the authorities. According to the International Trade Union Conference in December 2017, approximately 80 of Cambodia's independent unions have been prevented from registering with the ministry for labor and vocational training under the newly introduced trade union law.

Other groups that are involved in highly sensitive political issues such as land management and environmental protection are regularly victims of official arbitrariness as well as threats, harassment and intimidation by local authorities and security forces, particularly in remote areas. The ministry of environment, however, called in interest groups to support the drafting of the new environmental code, although this is yet to be adopted by the National Assembly.

According to data provided by the Asian Barometer Survey (which conducts polls throughout East and Southeast Asia on a regular basis), 73.1% of 1,200 interviewees in Cambodia in 2015 agreed with the statement “Democracy is always preferable to any other kind of government” (2012: 57.0%; 2008: 61.2%). Just 6.9% agreed with the statement “Under some circumstances, an authoritarian government can be better than a democracy” (2012: 13.0%; 2008: 8.3%). Asked to choose between democracy and economic development, a clear majority (67.7%) stated that economic development is definitely/somewhat more important than democracy (2012: 70.0%;

Interest groups

2

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Approval of democracy

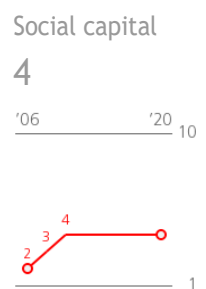
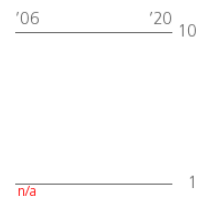
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2008: 58.8%). Similarly, 56.9% agreed that “Reducing economic inequality is definitely/somewhat more important than protecting political freedom” (2012: 49.8%). By contrast, a vast majority (77.5%) disagreed/strongly disagreed with the statement “We should get rid of parliament and elections and have a strong leader decide things” (2012: 80.0%; 2008: 72.8%). Asked whether “only one political party should be allowed to stand for election and hold office,” 78.5% disagreed/strongly disagreed in 2015 (2012: 67.9%; 2008: 67.2%).

Despite these pro-democratic attitudes, representative polls regularly find that Cambodians retain sympathy for a rather hierarchical society and other traditional ways of living. This can explain both dissatisfaction with the autocratic government and a low resistance potential among Cambodians, who tend to favor subordination over insurgency. According to a research article based on Asian Barometer Survey, in Cambodia’s rather homogenous society level of education appears to be the only independent variable with a significant impact on people’s attitudes, perceptions and behavior, followed by the variables of age (young vs old cohorts) and geographical location (urban vs rural).

More than 40 years after the fall of the Khmer Rouge, data provided by the Asian Barometer Survey suggest Cambodia still has a general low level of social trust. In 2015, only 13.4% of 1,200 interviewees stated that “most people can be trusted”, compared to 11.5% in 2012 and 7.4% in 2008. A vast majority of Cambodians approve the statement “you must be very careful when dealing with others” (2015: 86.6%; 2012: 88.5%; 2008: 92.6%), highlighting the slow transformation of attitudes. There are at least three factors that might explain the persistence of distrust. Culturally, Cambodians have always had a strong family and kinship orientation. In strict hierarchical patronage systems, social status has had great significance in the competition for resources. Cooperation often takes place within the family and the village. A second factor is the three decades of persistent violence – war, civil war, and genocide – that eroded trust and has left the lasting impression of a fragile state that completely failed to provide security for its people. Thirdly, the current regime prioritizes its own interests; it has established efficient surveillance mechanisms in order to intimidate people and curtail any significant opposition. And with his violent rhetoric, Hun Sen splits rather than unifies society (see criterion 13.3 – conflict intensity).

With a median age of just 25 years, the emergence of a new generation that has experienced neither the Khmer Rouge nor the civil war afterwards makes an increase of trust and social capital in the future likely. Voluntarism and other forms of grass-roots cooperation have increasing over recent years. Nevertheless, many active NGOs are not rooted in society and heavily depend on Western donors (and the latter’s priorities). Other organizations tend to incorporate traditional patronage patterns and a hierarchical order even when they are distinctly independent from the regime.





## II. Economic Transformation

### 6 | Level of Socioeconomic Development

Cambodia is one of the fastest growing economies in the world. In the current decade, growth has averaged approximately 7.0% per year. According to data provided by the Asian Development Bank (ADB), only 14.0% of the population were under the national poverty line in 2016. In 2007, this figure was approximately 50%. Consequently, the country has been performing better in the Human Development Index (HDI), increasing its score from 0.513 in 2007 to 0.582 in 2017. The HDI rank, however, was barely affected by this socioeconomic development: in 2017, Cambodia was positioned 146 for the third year in a row, down from 143 in 2007. The HDI score attributes “medium human development” to Cambodia, while the World Bank classifies it as a “lower middle-income country.”

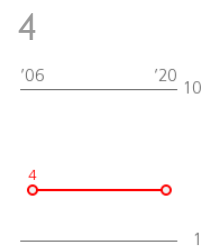
Regarding inequality, Cambodia performs much better than other countries with a similar level of development. In the 2017 inequality-adjusted HDI, Cambodia was ranked 99 with an overall loss of 19.4% in HDI due to inequality. Despite a general lack of mechanisms for redistribution through social welfare schemes for example, inequality is alleviated by the thriving garment industry that offers employment to more than 700,000 workers, of whom 90% are women. Their income has increased consistently for a considerable number of years: while the minimum monthly wage was just \$61 in 2012, it has been raised by the government to \$182 in 2019. Garment workers with experience and willingness to overtime can make \$300 per month.

The vast majority of garment workers support their families who often live as subsistence farmers in rural Cambodia. In 2014, approximately 45% of the total labor force was directly engaged in the agriculture sector, mainly in cultivating paddy rice. According to the ADB, more than 80% of the population depends on agriculture for their livelihoods. Due to a lack of artificial irrigation, most farmers seed and harvest only once a year, leading to a relatively low level of productivity in Cambodian agriculture compared to neighboring countries. Peasants still face enormous challenges, especially in the case of natural disasters such as droughts and floods, as the government offers no crop insurance, adequate emergency loans or other subsidies.

The situation of women in society is still affected by traditional patriarchal norms, causing a general power imbalance between the genders. Although enjoying the same judicial rights as men, women are structurally disadvantaged and more exposed to discrimination, vulnerability, poverty and abuse. Although Cambodia (0.473) performed much better than the average (0.579) in the 2017 Gender Inequality Index, it had the lowest score in Southeast Asia.

Question  
Score

Socioeconomic  
barriers



The main ethnic minorities, the Cham and Vietnamese, are not structurally excluded from Cambodian society. With the sentencing of former Khmer Rouge leaders Nuon Chea and Khieu Samphan in November 2017, the genocide of both ethnicities committed between 1975 and 1979 was officially recognized, symbolizing a general normalization in domestic relations. By contrast, indigenous people face enormous challenges preserving their traditional way of live. Mainly located in north and northeastern Cambodia, most communities do not possess land titles. Consequently, they are more affected than other ethnic groups by large-scale agricultural industry, deforestation and emergent mining activities.

Economic indicators		2015	2016	2017	2018
GDP	\$ M	18050.0	20016.7	22177.2	<b>24571.8</b>
GDP growth	%	7.0	7.0	7.0	<b>7.5</b>
Inflation (CPI)	%	1.2	3.0	2.9	-
Unemployment	%	1.2	1.1	1.1	<b>1.0</b>
Foreign direct investment	% of GDP	10.1	12.4	12.6	<b>12.6</b>
Export growth	%	7.2	8.6	5.3	<b>5.3</b>
Import growth	%	6.5	8.6	4.1	<b>4.1</b>
Current account balance	\$ M	-1567.4	-1687.5	-1743.1	<b>-2772.9</b>
Public debt	% of GDP	31.2	29.1	30.0	<b>28.6</b>
External debt	\$ M	9697.6	11602.2	13016.0	<b>15335.7</b>
Total debt service	\$ M	668.5	743.0	590.3	<b>863.9</b>
Net lending/borrowing	% of GDP	-0.9	-0.4	-1.0	-
Tax revenue	% of GDP	14.6	14.8	15.8	-
Government consumption	% of GDP	5.4	5.2	5.1	<b>4.9</b>
Public education spending	% of GDP	-	-	-	-
Public health spending	% of GDP	1.3	1.3	-	-
R&D expenditure	% of GDP	0.1	-	-	-
Military expenditure	% of GDP	1.8	1.9	2.1	<b>2.2</b>

Sources (as of December 2019): The World Bank, World Development Indicators | International Monetary Fund (IMF), World Economic Outlook | Stockholm International Peace Research Institute (SIPRI), Military Expenditure Database.

## 7 | Organization of the Market and Competition

Although free and fair competition is formally guaranteed by existing regulatory frameworks, market rules are partially superseded by bureaucracy and informal networks including cronyism, nepotism, and patronage. Unofficial fees and bribery are common, especially when starting a business. In most indicators, Cambodia performs worse than other countries. With an average of 99 days to register a new firm, Cambodia is penultimate in a worldwide ranking. According to the World Bank's Doing Business Report 2018, costs 51.3% of GNI per capita put Cambodia as the 19th most expensive place in the world to start a business. Cambodia is ranked 138 (out of 190 countries) in the overall score awarded by Doing Business.

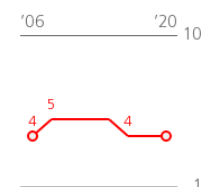
While foreign founders entering Cambodia with innovative ideas or large investments are less exposed to competition from established local companies, local SME entrepreneurs often need political connections when entering a market. In rural Cambodia, cartels tend to be the norm rather than the exception. Usually, these enterprises are owned by people with a clear political affiliation with the regime. Private companies with connections to senior politicians are rarely affected by legal constraints and can easily buy themselves off legal compliance. In addition, Chinese companies – especially in the construction and mining sectors – appear to operate widely unaffected by Cambodian laws.

The informal sector in Cambodia remains strong. During 2018, 12,000 enterprises registered with the ministry for labor gave employment to 1.5 million people. In the informal sector, 600,000 enterprises employed approximately 2.4 million people. It is not uncommon for registered companies to face disadvantages compared with their informal sector competitors that usually do not comply with tax, labor laws and other norms. With the obligation of retrospective “seniority payments” for all registered companies that came into effect in 2019, the attractiveness of the informal sector is likely to increase in the future. Formal anti-competitive measures are rare. One exception is the minimum wage paid in the apparel industry that is set by the government. Centrally set prices are used infrequently. However, the ministry of commerce sets oil prices once every two weeks.

The Cambodian government is positive toward international investors and allows companies that are completely foreign-owned in all business activities with the exception of land ownership. To obtain land, a business must be considered “Cambodian.” The conditions are a registered office in Cambodia and 51% of shares owned by Cambodian citizens. By contrast, apartments and condominium units - except the first floor of buildings - can be exclusively owned by foreigners. Commercial transactions up to \$10,000 may be made freely between residents and nonresidents, provided they are made through an authorized bank. Transfers exceeding \$10,000 must be declared to the National Bank of Cambodia prior to the transfer.

Market  
organization

4



Virtually all large-scale Cambodian corporates safeguard their operations by maintaining excellent relations with senior political decision makers. Such liaisons often enable dominant market positions to be obtained by the companies, from which the regime benefits through bribes and other kickbacks. The telecommunications, water supply and electricity sectors experience very limited competition.

Cambodia is the only country in ASEAN to have not yet introduced a competition law. However, the adoption of a law on competition is one of Cambodia's commitments to ASEAN and WTO. Accordingly, the ministry of commerce has established a working group responsible for designing and reviewing the draft law, facilitating the process of enactment and discussing competition-related issues. In 2017, a draft law to provide the legal framework for the country's competition regime was developed and made publicly available. According to the European Chamber of Commerce Cambodia, regulations to provide more detailed instruction on the implementation of the law are yet to be developed. The draft law contains several significant aspects that require further clarification and more specific guidance. The law will aim to abolish horizontal and vertical agreements that prevent, restrict or distort competition, the abuse of a dominant market position, and additionally any business combination, which has the effect of significantly preventing, restricting or distorting competition in a market. This includes presumptive market share thresholds, guidance on market share determinations, the broadening of exemptions and leniency policies to all substantive prohibitions, and the treatment of SMEs.

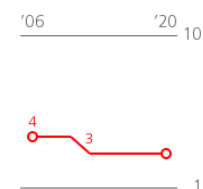
Cambodia became a WTO member in 2004 and enjoys Most Favored Nation (MFN) status in international trade. While the simple average final bound was 19.5% in 2017, the simple average of the MFN applied was just 11.1% in total (agriculture 27.9%, 15.1%; non-agriculture 18.0%, 10.5%). Compared to its regional neighbors, this difference is relatively small.

As a developing country, Cambodia has exported to the United States duty-free under conditions of the U.S. Generalized System of Preferences (GSP) since 1996. In 2017, the scheme was expanded to include travel goods. Similarly, the country enjoys preferential market access to the European Union under the "Everything But Arms" (EBA) scheme, which allows duty-free access to the EU for exports of all products except arms and ammunition. Due to the anti-democratic developments in Cambodian domestic politics, the EU threatened in 2018 to suspend the EBA status of Cambodia, an action that could come into effect in 2020. In January 2019, two United States senators introduced the Cambodian trade act of 2019, requiring the United States government to re-examine Cambodia's eligibility to access the preferential trade treatment granted under GSP.

Cambodia is a signatory to eight free trade agreements including all ASEAN member states, China and Hong Kong, India, Japan, Republic of Korea, Australia and New Zealand. It also ratified the Trade Facilitation Agreement (TFA) that entered into force in February 2017. Non-tariff barriers, mainly in agriculture, remain the most

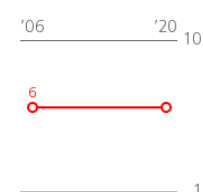
### Competition policy

3



### Liberalization of foreign trade

6



significant obstacles to trade. Formally, import duties range from 7% for primary products and raw materials, to over 15% for capital goods, locally available raw materials, machinery and equipment, while finished products, alcohol, petroleum products, vehicles, precious metals and stones attract duties of 35%. However, the country's customs sector experiences a high degree of corruption and the demand for unofficial fees. Consequently, regulations such as import quotas, export limitations and contingency trade barriers can be annulled. For example, in 2018 the U.N. Food and Agriculture Organization (FAO) estimated that 44% of Cambodia's total rice exports are smuggled out of the country through informal channels. International exporters are also harmed by grey markets consisting of goods smuggled into Cambodia.

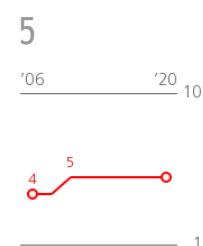
In 2016, Cambodia's single most important trade partners were the United States (21.3% of all Cambodian exports), the United Kingdom (9.5%) and Germany (9.0%). The primary sources of imports were China (36.8%), Thailand (15.4%) and Vietnam (11.5%).

Banking remains one of Cambodia's most dynamic sectors with a steadily increasing number of actors. By the end of 2016, the banking sector comprised 37 commercial banks, 15 specialized banks, 64 microfinance institutions, seven microfinance deposit-taking institutions, 170 registered microfinance operators, 12 financial lease companies, eight third party processors, seven representative offices, one credit bureau company, and 2,247 money changers. At the Cambodia Stock Exchange (CSX), founded in 2011, there are currently just five companies (three state-owned and two private enterprises) listed, with Sihanoukville Autonomous Port as the most recent listing (since 2017). More listings could help increase the market's liquidity, which is presently regarded as the most significant challenge.

According to the National Bank of Cambodia (NBC), in 2016 banking sector assets grew by 17.8% to \$27.8 billion. While private sector financial institutions had an outstanding loan portfolio of \$17.6 billion (an 18.3% credit growth increase compared to 2015), deposits increased by 20.7% to reach \$15.1 billion. Commercial and specialized banks retained high liquidity and high solvency ratios at 128.0% and 22.4% respectively. For microfinance institutions (MFI), liquidity and solvency ratios were 152.0% and 21.0% respectively. Nonperforming loan ratios remained relatively low at 2.1%, while the banks' share (3.5%) was more than three times greater than MFIs' portion (1%). According to the World Bank, in 2017 the bank capital to assets ratio stood at 14.0%, compared with 20% in 2010.

In both indicators, Cambodia belongs to the 15 best performing countries in the BTI, indicating a comparatively stable banking sector. The absolute level of nonperforming loans remains very low for a country at Cambodia's stage of economic development. Although still rapid, loan and deposit growth rates have slowed since 2015. This can be partly attributed to the fall in global commodity prices. The slowdown is not entirely negative, as deceleration could be viewed as

Banking system



healthy, particularly in the area of loan growth, preventing Cambodia's economy from overheating. Even if default rates remain low, excessive lending would eventually fuel unsustainable investment and consumption. However, a significant problem remains; in the Basel Anti-Money Laundering Index 2018, Cambodia ranked 7 out of 129 countries worldwide, indicating a very high risk of money laundering and terrorist funding.

## 8 | Monetary and fiscal stability

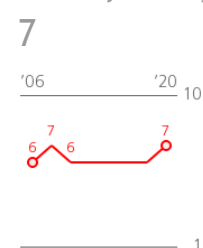
For years, Cambodia enjoyed monetary stability with inflation on a constant moderate level since the spike to 25% in 2008. Between 2012 and 2017, the year-to-year demonetization average was 2.8%. For the last five years, the exchange rate between the Cambodian riel (KHR) and the dollar has fluctuated around KHR 4,050 to \$1, indicating a robust level of monetary stability. However, with more than 80% of savings and loans in dollars, the NBC has minimal influence on lending rates charged by banks and microfinance institutions. Consequently, the NBC is not able to provide monetary stimuli in order to increase jobs and investments. In the context of Cambodia's highly dollarized economy, the economic expansion continues to be driven primarily by rising foreign currency deposits, boosted by improved confidence.

According to the World Bank, the amount of local currency in circulation has also increased in recent years, reflecting the NBC's initial success promoting the use of local currency. The NBC is nominally independent, but remains under full political control of the government. In particular, the governor can be dismissed and replaced by a governmental decree. However, there have yet to be any reports of governmental interference in the national bank's affairs.

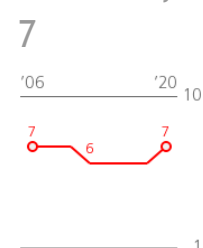
In general terms, the Cambodian government pursues a stability-oriented fiscal policy based on increasing debt, which remains at a healthy level. While the current account balance was just \$538 million in 2010, it rose to \$1.8 billion by 2016. In the same period, external debt grew from \$6.3 billion to \$10.2 billion, approximately half of which is held by the People's Republic of China. In 2016, the total debt service stood at \$797.5 million, up from just \$65.3 million in 2010. Between 2010 and 2017, public debt rose slightly from 33.5% to 37.9% of GDP. At the time of writing, the draft budget for 2019 forecasts \$5.2 billion state revenues, with expenditure expected to be \$6.7 billion, constituting a budget deficit of 5.4% of GDP.

These rather negative indicators are counterbalanced by the fact that total reserves doubled between 2014 and 2017, from \$5.6 billion to \$11.3 billion, exceeding external debt. Cambodia's net lending/net borrowing value was just -0.4% of GDP in 2016, putting it in the top 20 amongst BTI countries. Finally, government consumption has continuously decreased, from 6.3% of GDP in 2010 to 5.1% in 2017.

### Monetary stability



### Fiscal stability



## 9 | Private Property

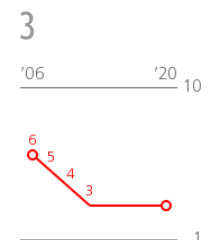
The World Bank's 2019 Doing Business Report ranks Cambodia 124 out of 190 economies for ease of registering property, resulting in a fall of four positions, despite a small increase in the overall score. This reflects grave reform bottlenecks, especially in land management and the registration of ownership. Despite the government's efforts to accelerate the issuance of land titles, progress is still far from sufficient as the titling system is cumbersome, expensive, and subject to corruption. The majority of property owners lack documentation proving ownership. Even more problematic, land titles do not guarantee ownership, as different state agencies are allowed to issue them. In such cases, the titles of superior government bodies – called “hard titles” provided by the land management and planning office – trump the “soft titles” of local authorities, the most common form of ownership and the most commonly issued Cambodian land title. As most agro-industry stakeholders have obtained hard titles, rural residents can be exploited quite easily. In several recent cases, security forces were involved in “clearing” land for private sector interests.

The implementation of several laws dedicated to protecting intellectual property is still insufficient. According to the local European Chamber of Commerce, to enable stronger protection of intellectual property rights, Cambodia requires a more detailed legal framework. In this area, the general department of customs and excise still lacks capacities to prevent counterfeit goods and parallel imports from entering Cambodia.

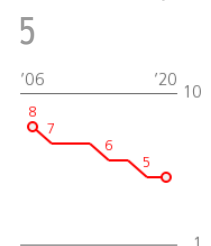
Three out of five companies listed at the Cambodia Securities Exchange (CSX) are state-owned. The ministry of economy and finance holds 85% of the shares in the Phnom Penh Water Supply Authority, 80% of the Phnom Penh Autonomous Port, and 75% of the Sihanoukville Autonomous Port. There are no intentions to privatize these or other state-owned companies. In the energy supply sector, Electricité Du Cambodge – under the supervision of the ministry of mines and energy – has held a countrywide monopoly that it has defended against any private competitor for many years.

Private enterprises usually face grave disadvantages if they lack a political patron. Due to weak law enforcement and courts being prone to corruption and bribery, the degree of judicial protection is very low. Furthermore, it is common that family members of politicians run private businesses in which they often make immediate use of their political connections. According to a report published in 2016, Prime Minister Hun Sen's family alone holds stakes in at least 114 domestic companies. Consequently, while private companies do not face legal restrictions in general, they are exposed to the informal framework set by the regime that limits their full potential as drivers of economic growth.

Property rights



Private enterprise





## 10 | Welfare Regime

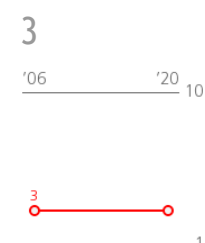
To alleviate the role of social support provided by family and kinship structures, the Cambodian government approved in 2017 the national social protection policy framework (NSPPF) 2016-2025. This introduced the twin pillars of social assistance and social security. The latter consists of five components: pensions, health insurance, employment injury insurance, unemployment insurance and disability insurance. Inter alia, the government aims to implement by 2020 a compulsory pension scheme for workers and employees, as well as a voluntary one for citizens working in the informal sector. Since 2018, public employees, former civil servants, and veterans can make use of medical care services provided by the national social security fund (NSSF). Initially scheduled to be implemented in 2018, access to medical care services for all workers and employees has been delayed but is expected to come into force in the coming years, while a voluntary health insurance scheme for citizens working in the informal sector is to be introduced no later than 2025.

In order to create real benefit from these health insurance schemes, they must be accompanied by capacity building in the health care sector. Public expenditure on health (1.3% of GDP in 2014) has remained low for several years. Consequently, most people – particularly in rural areas – still lack access to proper health care facilities, contributing to Cambodia having one of the lowest life expectancies at birth (69 years in 2016) in Southeast Asia. Due to general deficits in implementing existing laws, it remains doubtful whether the Cambodian government will be able to realize their ambitious goals.

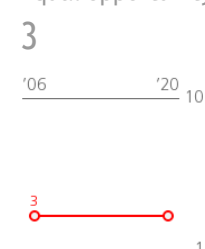
Article 32 of the Cambodian constitution determines legal equality for its citizens “regardless of their race, color, sex, language, belief, religion, political tendencies, birth origin, social status, resources and any position.” However, this legal framework can be undermined by cultural beliefs that lead to disparities in many social spheres. Most Buddhists believe in birth and rebirth, including the idea that the social status of rich and powerful individuals is a reward for actions in their previous lives. Similarly, misconduct in a previous life is punished by poverty, illnesses, disabilities and other factors that result in a low social status. As status virtually always shapes interpersonal interactions, disparity prevails over equality with significant consequences for vulnerable groups such as indigenous people and the extremely poor.

Access to state offices is completely controlled by the patronage networks of the ruling party. Political loyalty and the ability to pay enormous entrance fees are commonplace. As the multiparty system no longer exists, the CPP’s gatekeeper function covers all seats in elected councils and both houses of parliament. Women are vastly underrepresented, comprising 20.0% of the deputies in the National Assembly, 17.7% of members of the Senate and 20.1% of representatives in

Social safety nets



Equal opportunity





commune councils. In the public sector, anti-women prejudices impede their access to leadership positions.

These figures are despite a female labor force of 49.9% (2017). The situation is marginally better in the private sector, but it is in the non-profit sector by contrast, where it is quite normal for women to hold leadership positions. Although the ratio of female to male enrollment in public and private schools has converged in recent years (1.0 in primary, 0.9 in secondary, 0.8 in tertiary education), grave gender-related disparities still persist. According to data provided by the World Bank, in 2015, 17% of the female labor force had “none or only some education” and 34.9% had not completed primary school. The figures for their male counterparts was 10.3% and 30.2% respectively.

## 11 | Economic Performance

Since 2015, GDP has risen by more than 22.8% to \$22.2 billion in 2017. Similarly, GDP per capita – based on purchasing-power-parity (PPP) – rose from \$3,504 in 2015 to \$4,002 by 2017. Although Cambodia’s GDP per capita increased on average by 5.4% annually between 2011 and 2018, the absolute value remains the lowest in the entire Southeast Asia region. Between 2012 and 2017, the country saw moderate annual inflation of 2.8%.

According to government statistics, the unemployment rate was at 0.2% in 2017, which would be the second lowest rate in the world. While the number seems implausible, the World Bank set the unemployment rate at 1.0% in 2018 (and 1.1% in 2017). During the last ten years, tax revenues have increased from 8.2% in 2006 of GDP to 15.3% in 2016. Both the current account balance and public debt, albeit steadily growing, appear to be manageable (see criterion 8.2 – fiscal stability). Between 2013 and 2017, gross capital formation has increased from 20.0% to 22.9% of GDP. Foreign direct investments (FDI) reached 12.6% of GDP in 2017, the fifth highest percentage worldwide. However, this is directly connected to Cambodia’s high attractiveness for international money launderers, questioning the sustainability of these FDI levels under a fully-functioning financial supervision scheme.

Output strength



## 12 | Sustainability

The national strategic development plan (NSDP) phase IV, published by the government in 2018, includes a clear commitment towards “sustainable and inclusive development.” The plan states that Cambodia will be “stepping up the effectiveness of the protection and conservation of the environment, natural resources, ecosystem, biodiversity, forest and wildlife sanctuaries as well as adaptation to climate change.” More detailed measures have been formulated by the government’s national policy on green growth 2013 to 2030, which seeks to strike a balance between economic development and environment, society, culture, and the sustainable use of national resources. This is to be achieved through integration, matching and adaption, as well as harmonization between a green growth principle and national policy. The policy encompasses a commitment to renewable energy and energy efficiency, reducing carbon emissions, incorporating energy management principles as well as clean energy technology transfer and deployment.

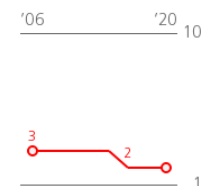
Regarding carbon emissions, the government compiled the Cambodia climate change strategic plan 2014 to 2023 and has vowed to use only renewable energies by 2050. By the time of writing, the long-awaited environmental code that had been drafted in 2015 is still pending. Currently, the draft includes provisions related to climate change, the green economy and sustainable energy. However, it still lacks sufficient funding for implementation as well as state incentive policies.

Despite the policy objectives, there remains a huge gap between vision and action. Awareness of the issues, including the need to preserve natural resources, operate professional waste management services and introduce sustainable energy consumption is growing slowly and is often induced by international organizations. As an aggravating factor, security forces backed by most senior politicians are involved in tropical rainforest logging, putting even wildlife sanctuaries at risk. A general utilization of solar energy is impeded because Electricité Du Cambodge, the state-owned monopolist for energy supply, refuses to allow solar energy from private generators into its grids.

Equally serious challenges are on the horizon, with increasing pollution of both the Mekong and Tonle Sap waterbodies, threatening not only the livelihood of hundreds of fish and bird species, but also the food security of millions of people. The death of 13 people who drank water contaminated with cyanide, caused by mining activities in Kratie Province in 2018, could be a sign of the increasing danger posed by mining as that sector grows exponentially in the coming years.

Environmental  
policy

2



In the U.N. Education Index, Cambodia has been steadily improving for more than ten years, with a score of 0.487 in 2017 compared to 0.416 ten years ago. In the draft budget for 2019, education was allocated the highest share with \$915 million, up from \$848 million in the previous year. This represents 3.4% of GDP. Most resources are allocated to primary and secondary education. Tertiary education including vocational training remains under-resourced, and in 2018, Cambodia had the lowest enrollment ratio (13.1%) in Southeast Asia. One priority in the near future will be the training of teachers who still lack modern didactic approaches and adhere to the hierarchical frontal instruction system.

Primary education (110.2% gross enrollment ratio) and secondary education (45.2% gross enrollment ratio) sectors remain prone to bribery and corruption despite strict procedures during nationwide school leaving examinations. It is still common for teachers to offer extra-school lessons in return for payment, a practice that students from low-income households cannot afford. The content of these lessons are usually designed to help the student pass examinations. Especially in rural areas, enrollment is often higher than attendance as compulsory schooling is not enforced. During rice-sowing and harvesting seasons, up to five months per year, children often support their parents at work and do not attend school. Furthermore, there are still enormous disparities between girls and boys attending school (see criterion 10.2 – equal opportunity).

In Cambodia's tertiary education system, private profit-seeking universities dominate. Often, standards are low, reducing the value of degrees considerably. So far, Cambodia lacks a proper accreditation system and efficient supervisory control mechanisms because numerous private universities are run by leading politicians. Representing only 0.1% of GDP (2015), expenditure on research and development is very limited. Consequently, with very few exceptions in social science, Cambodian universities and institutes are yet to produce internationally respected research.

Education policy /  
R&D

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## Governance

### I. Level of Difficulty

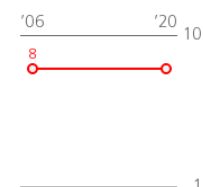
The mentality of Cambodia's elite is apparently shaped by the experiences of the country's violent past. The representatives of the current regime, first and foremost Prime Minister Hun Sen, were deeply involved in two civil wars (1970-1975, 1979-1991) while all belligerents "enjoyed" external support during the Cold War. Several patterns that constitute contemporary Cambodia can be traced to these times, in particular an extreme reluctance to share power and the complex patronage system within the state administration and the ruling party. Access to public assets became the main motivation of politicians in order to satisfy followers and to afford loyal security forces during the civil war. After the end of the civil war, this system has persisted until the present day. These informal institutions consist of clientelism, nepotism, cronyism, and even mafia-like structures. They are highly personalized and – as they are often in contradiction to the formal constitution – are the most significant organizing principle. This has led to Cambodia's countless reform bottlenecks, since many of these reforms could potentially challenge Hun Sen's power framework.

In practice, rent seeking, plundering of public assets and extreme corruption in a bloated government created by and for an exclusive group of people impede liberal democracy and the evolution of an efficient and accountable public administration based on the formal rule of law. Under these conditions, personal loyalty is far more important than developing a professional ethos, especially within the security forces. From this perspective, state authority does not exist, exposing Cambodia to enormous structural constraints.

In recent years, there has been a further centralization of political power in addition to the dissolution of the CNRP. This centralization is best exemplified by the promotions of Hun Sen's children. In 2017, he appointed his third son, Hun Manith, as general director of the general directorate of intelligence, a new intelligence unit designed to train spies for combat against terrorists and any suspected threat from "revolutionary" forces. Hun Sen also promoted his son-in-law, Dy Vichea, to deputy chief of the national police. Most importantly, the prime minister elevated his eldest son Lieutenant General Hun Manet to four-star general following his promotion to deputy commander in chief of the royal Cambodian armed forces (RCAF). Furthermore, internal surveillance mechanisms such as widespread wiretapping (phone calls and email conversation) have been expanded under the control of the anti-corruption unit, one of the most powerful security institutions.

Structural  
constraints

8



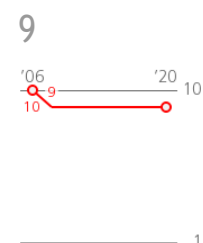
Cambodia lacks a long tradition of civil cooperation in formal organizations, informal groups, unions, clubs, or associations. On the one hand, strong social hierarchies are a key part of Cambodian's self-identity, which is also reflected in political structures. On the other hand, Cambodia's history of the 20th century has been marked by manifold, often highly violent confrontations between diverse political factions, indicating a weak acceptance of given hierarchies and leading to an erosion of mutual trust, social capital and social cooperation. Until the 1980s, there was virtually no apolitical organization. In the post-UNTAC period, numerous NGOs were founded by elites with western background, mainly former refugees who returned to Cambodia in the 1990s. They still lacked roots in society, but paved the way for grassroots activism in the decades afterwards.

In contemporary Cambodia, there are approximately 1,000 active national NGOs. Most of them act as social entrepreneurs in a competitive business-like setting, heavily dependent on western donor funding. Very few organizations represent civil society, and this number is falling. Since 2015, the government once again complicated the work of NGOs, deploying threats, intimidation, and legal persecution, resulting in increased self-censorship, withdrawal from sensitive issues and the fleeing of several human rights defenders abroad.

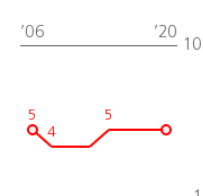
Conflict management in Cambodia appears to have become increasingly contradictory. On the one hand, the dissolution of the oppositional CNRP illustrates that even its mere existence could no longer be tolerated by the regime. While in the past, measures to disadvantage opponents, threats and intimidation were sufficient to abrogate political competition, this strategy lost its vigor in recent years and the rift between political elites represented by the two largest parties deepened, leading to the dissolution of the CNRP. On the other hand, this dissolution occurred without the use of violence, as the opposition succumbed without resistance. During parliamentary elections, the unexpectedly high number of invalid ballots (about 9%) was the only signal that could be interpreted as dissatisfaction with the CNRP's dissolution.

With a one-party parliament since the CNRP's dissolution, most political and social conflicts, such as those over wealth distribution, disappeared from public life. This does not mean that they do not exist – their structural dynamics are simply more difficult to see due to the absence of a free press, a relevant opposition, independent and influential unionists, and vocal human rights defenders. Most independent actors within politics and civil society who have not fled Cambodia appear to be effectively pacified by assurances from Prime Minister Hun Sen. In May 2017, one week ahead of nationwide commune elections, the prime minister stated that the ruling CPP must win the upcoming commune and national ballots and declared that he was willing to eliminate 100 or 200 people to prevent his overthrow. In November 2018, he voiced his regret that he had not killed leaders of protests against his party in 2013 and 2014. Seen from this perspective, the dissolution of the CNRP probably prevented

#### Civil society traditions



#### Conflict intensity



considerable violence from occurring if the opposition had won parliamentary elections in 2018.

In addition to threats and intimidation, the high rate of GDP growth and the possibility of working abroad for those who do not benefit from it contain severe social conflicts. Ethnic tensions, in particular with the Vietnamese minority, have decreased. However, they could reignite as strong anti-Vietnamese sentiment persists among a majority of the Khmer population. At the same time, reservations against the Chinese presence in Cambodia are growing steadily.

## II. Governance Performance

### 14 | Steering Capability

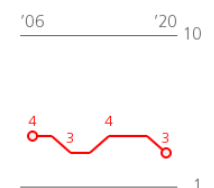
The current regime sets strategic priorities, but these priorities do not correspond with the normative framework of the BTI. The main priority for Prime Minister Hun Sen seems to be his survival in office and to prepare the ruling party for his eventual succession by one of his sons. There seems to be a broad understanding of the need to further develop and implement economic reforms, including elements of social welfare, but the regime uses these primarily as instruments of patronage and welfare paternalism, which are aimed at perpetuating the loyalty of regime elites and winning political support from voting blocs of the opposition parties. Hence, the main aim is short-term political benefit for the regime and its leader(s).

Since the regime is built on grand corruption, effective anti-corruption policies are almost impossible. Personal enrichment by siphoning from public assets persists as the state's *raison d'être* for the vast majority of Cambodia's elite and their followers. A noticeable side effect is that this corruption ensures control and loyalty to the regime, because whoever accepts bribes can easily be prosecuted. Unsurprisingly, the regime even sets conditions that pressures civil servants into corrupt practices. Salaries for teachers and low-level employees are insufficient to cover living expenses, especially if they must support a family in urban areas. For many middle- and higher-ranking positions, applicants must pay an entrance fee that normally exceeds the annual salary of their new job. Afterwards, they are obligated to pay continuous fees to their superiors and the CPP's coffers. This is only possible by abusing the respective public office.

In this context it is understandable that Cambodia still lacks a transparent public procurement system and functioning auditing authorities. Under the anti-corruption law, politicians must declare their assets, albeit secretly without public notification. Whereas the anti-corruption unit was ostensibly established to ensure legal

Question  
Score

Prioritization  
3



compliance, in fact it acts as Hun Sen's most important tool to control his patronage networks and to enforce the unwritten rules of the regime's internal levy system. These resources or levies are needed to fund parts of the security apparatus and to enable personal gifts. For example, Hun Sen "donated" thousands of schools nationwide. By doing so, he aimed to increase his personal legitimacy, instead of leaving this task to the competent authorities.

Government action to implement existing policies remains very limited because policies are almost always subordinated to the regime's real priorities. The latter comprise the retention of the patronage network, effective control capacities, and personal enrichment opportunities. Hence, effective administrative structures and binding norms are rare exceptions as they are normally undermined by these informal institutions. Even more significant, these priorities are completely incompatible with any power-balancing mechanisms provided by the rule of law and a liberal democracy.

Independent assessments of government implementation success hardly exist. The reliability of government statistics is low. International organizations and other partners in official development assistance who are involved in major undertakings achieve progress that can obscure the lack of progress made by the government itself, such as in decentralization, environmental protection and social welfare policies.

The existence of reformers within the government is a myth. The reform of the general school leaving examination in 2014 was the last fundamental change of note. Although far from being democrats, several ministers – 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) – correspond to the technocrat type. Nevertheless, defenders of the status quo constitute the majority in the cabinet. Backed by the prime minister and the central office of the council of ministers, these stakeholders regularly dominate conflicts of interests with their reform-minded counterparts. Any reform or managerial adjustments, however limited, requires the support of the prime minister.

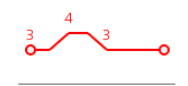
The governmental structures of Cambodia's socialist regime of the 1980s have survived the formal transformation into a liberal democracy in 1993. With the recent tendency toward further centralization of political power, the regime has forfeited flexibility and potential to innovate. During the years of battling political opponents, legal persecution in place of violence and murder was the most significant tactical change made by the ruling CPP party. However, there is sufficient indication that this learning success will endure (see criterion 13.3 – conflict intensity).

The overall lack of policy learning capacities has a range of origins. First and foremost, internal conflict resolution characterized by the exclusive use of force has meant a peaceful co-existence with political rivals was never established. Even within

#### Implementation

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#### Policy learning

3

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a democratic constitution, balancing power – not to mention separation of powers, universal laws and peaceful transitions of power – is still a foreign concept in Cambodia. Generally, more reform-minded government officials are hampered as even minor policy details require central approval.

At the same time, society remains organized through strong hierarchies that enforce subordination. Under these conditions, international development cooperation actors have had little impact on the political and social development of Cambodia. Instead of taking appropriate measures and reducing aid, with few exceptions international donors have provided distorted incentives, often by assuming responsibility for delivering core state functions. Therefore, Cambodia still lacks a robust taxation system and adequate social welfare institutions.

## 15 | Resource Efficiency

The deployment of human resources within the state apparatus is mixed. While ministries led by technocrats have increased their percentage of qualified employees, the majority adheres to traditional recruiting criteria based on nepotism within the patronage network. Normally, interpersonal relations, the ability to buy oneself into office and political loyalty are considerably more relevant than applicants' qualifications. Consequently, in these administrative units, most civil servants lack even basic qualifications; in ministries, for example, officials often encounter difficulties not only with drafting laws, but even with simple affairs such as writing internal letters to their respective ministers or preparing a presentation on current operations.

Most Cambodians only have a theoretical chance of working for the state in middle and higher ranks. The higher ranks are normally reserved for the male sons of senior politicians from the CPP, such as Say Sam Al, the son of Senate President Say Chhum, has been serving as environment minister since 2013. More than a dozen sons of other politicians currently hold the rank of secretary of state, reflecting a gradual change in the state administration with an expected transfer of power in the coming decade. Although they are much better educated than their fathers, they clearly represent an emerging dynasty within the regime.

Independent control of the state budget by parliament or an audit office is effectively nonexistent. The government normally treats the national budget as a non-binding recommendation and does not adhere to principles of transparency. The ministry of economy and finance exerts considerable influence as most other ministries depend on its decisions. As inner governmental communication is impaired by distrust, ministries frequently do not know why funds are blocked or when they will be released.

Efficient use of assets

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Numerous governmental councils, often either controlled by the ministry of interior or the office of the council of ministers, assume decision-making competencies from various departments. As an additional consequence of centralized decision-making, decentralization efforts (initiated by several international donors) have little significant impact. Subnational levels of government deal solely with the execution of routine tasks. Finally, through a bloated government with far more office holders than required, efficiency is hampered and therefore significantly reduced.

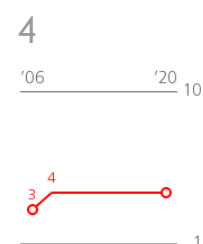
Formally, Bin Chhin's office of the council of ministers and Sar Kheng's ministry of interior exercise the most extensive influence in policy coordination. Often, one of these departments is in charge of Cambodia's numerous governmental councils, while the most relevant, the council for the development of Cambodia (CDC) is led by Prime Minister Hun Sen. The ministry of interior is in charge of subnational entities including provinces and districts that all contain several policy departments that mirror the portfolios of national ministries. Despite this, in practice these national ministries are able to contain the influence of the ministry of interior. While provincial and district governors as head of their regional units are part of the ministry of interior's hierarchy, their influence on their subordinates within their administrations is often limited.

Only Prime Minister Hun Sen exercises sufficient influence to coordinate governmental processes. By doing so, he makes use of his interpersonal networks instead of using formal procedures within the competent institutions. Sometimes, his personal interventions occur publicly, either in speeches in which he directly addresses even senior ministers or by giving orders via his Facebook page. As he also encourages citizens to contact him directly through social media, Hun Sen unofficially acknowledges deficits in ensuring coherent and coordinated policies. However, it is Hun Sen's own governance style consisting of personalized networks that prevent the establishment of efficient state institutions.

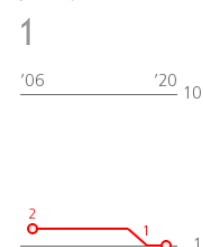
Personal enrichment by siphoning from public assets persists as the state's *raison d'être* for the vast majority of Cambodia's elite and their followers. A noticeable side effect is that this corruption ensures control and loyalty to the regime, because whoever accepts bribes can easily be prosecuted. Unsurprisingly, the regime even sets conditions that pressures civil servants into corrupt practices. Salaries for teachers and low-level employees are insufficient to cover living expenses, especially if they must support a family in urban areas. For many middle- and higher-ranking positions, applicants must pay an entrance fee that normally exceeds the annual salary of their new job. Afterwards, they are obligated to pay continuous fees to their superiors and the CPP's coffers. This is only possible by abusing the respective public office.

In this context it is understandable that Cambodia still lacks a transparent public procurement system and functioning auditing authorities. Under the anti-corruption law, politicians must declare their assets, albeit secretly without public notification.

#### Policy coordination



#### Anti-corruption policy



Whereas the anti-corruption unit was ostensibly established to ensure legal compliance, in fact it acts as Hun Sen's most important tool to control his patronage networks and to enforce the unwritten rules of the regime's internal levy system. These resources or levies are needed to fund parts of the security apparatus and to enable personal gifts. For example, Hun Sen "donated" thousands of schools nationwide. By doing so, he aimed to increase his personal legitimacy, instead of leaving this task to the competent authorities.

In conclusion, the regime is built on grand corruption, making anti-corruption policies almost impossible.

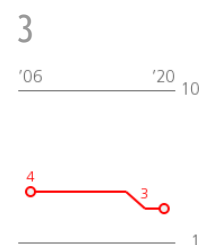
## 16 | Consensus-Building

Currently, Hun Sen is able to pursue his anti-democratic goal, supported by his closest allies within the security forces and he faces no noteworthy resistance. With the dissolution of Cambodia's main opposition party in 2017, political debates within Cambodia – already occurring on a very low level – have almost disappeared completely. On the surface, this could be perceived as enforcement of political consensus among those who remain part of the political system, meaning primarily governmental officials within the various ministries. However, frustration over Hun Sen's further centralization of political power has increased among middle and higher ranked civil servants – virtually all of them are members of the ruling CPP – including technocratic ministers (although most of them are more reluctant than ever to express dissatisfaction with Cambodia's political development). While their attitude is not fully pro-democratic, they recognize the abuse, endemic corruption and widespread mismanagement that impede the country's socioeconomic development.

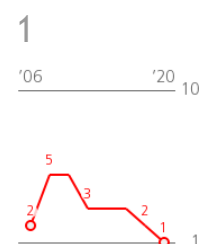
By contrast, the economic system is less controversial as it has provided increasingly better living standards for the majority of Cambodians for more than two decades. Deficits perceived derive from excessive bureaucracy and an inefficient public sector. Despite strong ties between senior politicians and leading Cambodian enterprises, there exists no relevant party or organization that calls for a stricter application of market economy principles. However, the ongoing economic orientation towards China – mainly in tourism, mining and construction – is not welcomed by the majority of Cambodians, who could eventually question this prevailing economic orientation.

Since mid-2015, anti-democratic actors have been successfully suppressing democratic enclaves within the political system. The pressure on civil society organizations mounted through threats and intimidation has led to an unprecedented level of self-censorship. With the forced closure of the Cambodia Daily tabloid, the forced change of ownership of the Phnom Penh Post newspaper and the interim closure of both Voice of America and Radio Free Asia Phnom Penh offices, independent reporting has been almost completely eradicated by the regime. With the dissolution of the CNRP in November 2017, the main challenger to the CPP

Consensus on goals



Anti-democratic actors



disappeared eight months before parliamentary elections, leading to the first one-party parliament since 1993. Within the regime, nobody dared oppose this crackdown. Quite the contrary, it generated a climate of fear and utmost loyalty to the leadership among CPP members and civil servants.

Traditional cleavages within Cambodian society hardly exist. Regarding ethnicities, languages, and religions the country is the most homogenous in Southeast Asia. Despite the rapid economic development of the last two decades, new conflict lines have not emerged yet. Even an urban-rural antagonism is not on the horizon, although development is regionally uneven.

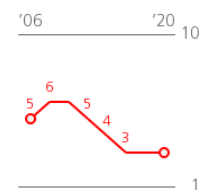
With few exceptions, political parties, especially the CPP, have never had a focus on certain sub-groups within the electorate. Instead, they appeal to the population generally, without explicit promises to represent them. This is because politicians in Cambodia – even within the Senate and the National Assembly – stand for their top leaders and not for those who voted them into office. With a one-party parliament since August 2018, discussions about broad social consensus have completely disappeared. In the future, the increased Chinese presence in Cambodia will likely become a relevant topic that, so far, is mainly discussed behind closed doors.

Cambodian civil society organizations function under severe restrictions. Since 2015, several representatives and their families have fled Cambodia in fear of their safety. Respected human rights groups such as ADHOC and LICADHO, formerly known as brave and vocal organizations, only rarely appear in public as self-censorship prevails. With the government creating several legal tools in previous years, civil society organizations are in constant danger of dissolution. For example, NGOs are prohibited from participating in political activities during election campaigns, with a huge margin of discretion granted to authorities in determining what this means. Under the 2015 law on associations and non-governmental organizations, the government is legally entitled to curb the activities of civil society organizations or even close them down. Nevertheless, NGOs are still allowed to participate in some law drafting processes.

In November 2018, the trial chamber of the extraordinary chambers in the courts of Cambodia (ECCC) pass sentencing on former Khmer Rouge cadres Nuon Chea (92) and Khieu Samphan (87). In the second sub-trial (case 002/02), the accused were found guilty of accusations including genocide and crimes against humanity carried out between 1977 and 1979. They still have the opportunity to appeal the verdict at the Supreme Court. Both Nuon Chea and Khieu Samphan are already serving a life sentence from a previous case. Since the tribunal resumed operations in 2005, and after spending a budget of more than \$300 million, only three individuals have been tried and sentenced. Except for the appeal proceedings, the tribunal appears to have neared the end of its time as the Cambodian government strongly opposes further cases.

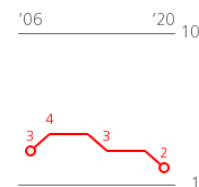
Cleavage / conflict management

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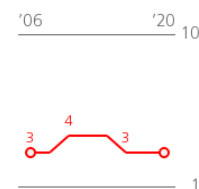
Civil society participation

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Reconciliation

3



There are already discussions about the court's legacy. On the one hand, it provided a sort of justice for victims of the Khmer Rouge, although the majority of their leaders died before they could stand trial. The court sent a clear message to the world that some high-ranking Khmer Rouge leaders would face justice. On the other hand, the court has not met the high expectations of many victims and international stakeholders. The proceedings were complex, lengthy and under strong influence from the government, mainly on the appointments of national judges, prosecutors, and administrators. With the strong government grip on the tribunal, the latter has not little positive impact on Cambodia's judicial system in general.

In broader terms, the manipulation of the ECCC by the Cambodian government reflects its strong desire to define history on its own terms. Cambodia's leaders want to avoid discussions about the huge number of people who were involved in the mass killings under the Khmer Rouge. Many of them have been living freely in Cambodia for four decades and according to the government should not be harmed by any prosecution. In addition, most senior representatives of the current regime including Prime Minister Hun Sen and National Assembly president Heng Samrin were middle-ranking cadres in the Khmer Rouge. Although they have not been charged for obvious reasons, they also refused to participate as witnesses. Furthermore, the government restricts any discussion about the strong support provided by the People's Republic of China for the Khmer Rouge.

Consequently, most Cambodians lost interest in the tribunal's work as the proceedings went on. A vast majority of the population appears barely interested in the terrible past. Often, younger Cambodians know very little because their parents and grandparents do not testify about the atrocities they experienced. At secondary schools, the Khmer Rouge history is rather a minor matter with the focus on liberation on January 7, 1979. This serves to increase the legitimacy of the current leaders, of whom many were part of the puppet government installed by the Vietnamese occupation forces after the collapse of the Khmer Rouge regime. Similarly, the National Day of Remembrance – in Cambodia called the “Day of Anger” –, which was elevated to a national holiday in 2018, combines commemoration of the Khmer Rouge genocide with political propaganda.

Other crimes committed afterwards are widely ignored such as victims during the civil war in the 1980s, the assault on an opposition rally in 1997, and the bloody coup d'état of Hun Sen staged against his royalist coalition partner in the same year. Most politically motivated murders since the early 1990s have not been investigated, indicating possible involvement of current power holders.

## 17 | International Cooperation

Cambodia's roadmap for development is the national strategic development plan (NSDP) that spans five years. The NSDP is not linked to concrete foreign assistance, which is negotiated separately. Nevertheless, several policy areas have benefitted from immense international financial and technical support since the early 1990s. Due to extensive bureaucracy and corruption, this support rarely realizes its full potential.

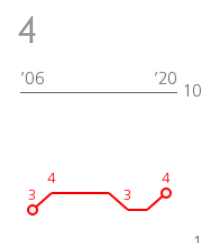
Considering both bilateral and multilateral assistance, the People's Republic of China remains Cambodia's most important donor. China is not only the biggest bilateral donor, but also the main origin for foreign direct investments into Cambodia. Chinese investment focuses on infrastructure development, mainly in large-scale projects, military cooperation and assistance in legislation. According to the Cambodian government, Chinese assistance is unconditional and therefore preferable to Western aid. Due to increasing dependency, several critics have labeled the Sino-Cambodian relationship as "neo-colonial," questioning whether Cambodia is still sovereign regarding its development agenda.

In contrast to the rise of Chinese assistance, Western donors have been losing influence. Although donor organizations are very reluctant to criticize bureaucracy, corruption, and rent-seeking motivation behind official assistance, the Cambodian government often perceives partnerships as unequal, allegedly due to the conditions attached to most financial assistance. With Cambodia's authoritarian trajectory in recent years and enormous inefficiency in several development policies and sectors, it is likely that Western donors will significantly reduce their assistance when Cambodia graduates from its Least Developed Country status by 2025.

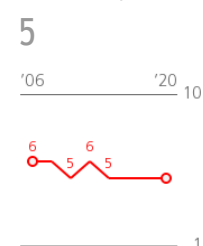
With the elimination of the only relevant opposition party in November 2017, the Cambodian government violated the Paris Peace Accords of 1991 – signed by Cambodia's conflict parties including Hun Sen's CPP and nineteen countries – that was supposed to end the civil war and transform Cambodia into a liberal democracy. The significance of this treaty is questionable as no foreign country publicly demanded compliance with it during the dissolution of the CNRP. However, after parliamentary elections in 2018 the European Union threatened to suspend trade privileges granted by the "Everything But Arms" (EBA) scheme that allows least developed countries to export duty- and quota-free to the single market. This was a direct response to the CNRP's dissolution and the general authoritarian tendencies in Cambodia. At the time of writing, it was unclear whether the EU intends to follow through on its threat.

Beyond this fundamental violation of democratic principles stipulated by an international treaty, Cambodia has shown a general willingness to act as a credible and reliable partner in its relations with the international community. It has ratified

Effective use of support



Credibility



numerous international treaties including the Rome Statute of the International Criminal Court, one of only three Southeast Asian nations to do so. However, the government is often either technically incapable or politically reluctant to convert the contents of treaties it signs into its own legislation and implement them properly. Usually, its top representatives stress the importance of national sovereignty in the case of conflict with international norms. For example, the government has been very suspicious toward the local office of the United Nations High Commissioner for Human Rights and the work of the respective U.N. special rapporteurs on the situation of human rights in Cambodia. Furthermore, the Cambodian government strongly opposes additional cases at the Khmer Rouge Tribunal that are favored by the U.N.

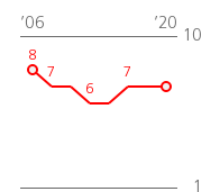
At the same time, Cambodia upholds its activities within United Nations' peacekeeping missions mainly in the area of mine clearing. Since 2006, Cambodia has sent nearly 5,000 troops on missions to eight countries, including Sudan, South Sudan, Chad, Central African Republic, Syria, Lebanon, Cyprus and Mali.

In the context of large-scale Chinese assistance (see criterion 17.1 – effective use of support) and its influence as the most important bilateral partner, Cambodia remains a strong backer of Chinese interests in international relations. Most significantly, Cambodia successfully continues to prevent a common position within the Association of Southeast Asian Nations (ASEAN) regarding overlapping maritime claims in the South China Sea. The Cambodian government adopted the Chinese standpoint and acted against several neighboring countries. As Prime Minister Hun Sen stated in December 2018, not allowing a Chinese naval base on Cambodian territory (which could expand Beijing's presence in South China Sea), Cambodia seeks to avoid a serious contribution to a further worsening of the confrontation.

While the situation on Thai and Vietnamese borders remains calm in comparison to previous years, tensions rose at the Laotian border, in particular in the O'Tangav area in Cambodia's Stung Treng Province. In 2017, Lao and Cambodian troops confronted one another at key crossings and military outposts over the course of a number of months in what was viewed as a mild escalation of a long-running dispute based on an only partly demarcated land border. At the end of 2018, both countries came closer to a settlement with a "three-point resolution," which included a withdrawal of troops from disputed areas, a ban on cross-border business and trading activities, and the holding of joint patrols to combat criminal activities along the border.

Regional  
cooperation

7



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## Strategic Outlook

Cambodia's strong economic growth over the last decade has been primarily based on favorable developments in the world economy and balanced domestic politics. With the dissolution of the opposition and other anti-liberal measures, the democratic façade has been widely demolished by the regime. From Prime Minister Hun Sen's perspective, this became necessary in order to avoid a defeat in parliamentary elections, a loss of power and the threat to his and his kin's existential security. The collateral damage of this policy change is only now starting to become visible. On the one hand, increasing numbers of people are alienated from the ruling CPP, which further monopolizes decision-making on all bureaucratic levels. It is highly unlikely that the level of surveillance and intimidation will decrease, meaning there is scope for it to further impede social cohesion and trust. At the same time, to sustain loyalty Hun Sen's extensive patronage system must still meet followers' material expectations, making anti-corruption policies and therefore the emergence of an efficient, accountable, and rule-based public administration unlikely.

On the other hand and more significantly, sound relations with Western donor states have been the foundation of the post UNTAC-period. Although the impact of Western donors on state building has been continuously decreasing for years, the European Single Market has become the main destination of Cambodian products due to preferential treatment granted by the "Everything But Arms" scheme. The EU announcement of a suspension of EBA has already had a negative impact on the Cambodian economy, harming investors' confidence. When executed – eventually in 2020, if at all – declining exports of the apparel industry, economic growth and employment rate will be hard to avoid. While public disorder appears to be unlikely, the regime may need to react to the challenge of growing dissatisfaction.

Hun Sen appears to be faced with a dilemma: returning to a competitive party system risks a loss of power, but it promises the retention of trade facilitations, which are essential for a smooth transition to a competitive and industrially diversified economy. To solve this dilemma, Cambodia may seek even more assistance from China. Economically, however, it is unclear whether Chinese investors will stand by Cambodia, which has evolved over a number of years to become an extended workbench of the People's Republic, mainly due to the EU's trade facilitations. Politically, Cambodia has put almost all its eggs into one – the Chinese – basket. With relations comparable to a neo-colonial dependency, Cambodia could find itself more involved than other states in a possible "cold war" between China and the United States in the coming years. An analogy with the 1950s and 1960s when Cambodia blundered into a conflict of superpowers is not too far-fetched.

China needs Hun Sen as long as he guarantees Chinese investments and represents Beijing's political interests, while to remain in power Hun Sen increasingly depends on China if relations with the United States and Europe deteriorate. Consequently, the prospects of a democratic revival or a regime change are lower than ever. There is a strong possibility that fundamental changes will not occur during Hun Sen's lifetime.