

CAMBODIA

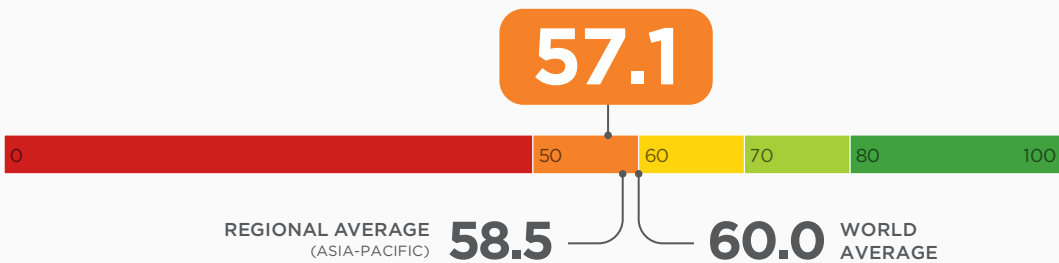
Cambodia's economic freedom score is 57.1, making its economy the 106th freest in the 2022 *Index*. Cambodia is ranked 21st among 39 countries in the Asia-Pacific region, and its overall score is below the regional and world averages.

Cambodia has averaged economic growth of 5 percent annually over the past five years despite an economic downturn in 2020. A five-year trend of declining economic freedom has continued. Depressed by score decreases in **labor freedom** and **trade freedom**, Cambodia has recorded a 2.4-point overall loss of economic freedom since 2017 and remains mired in the "Mostly Unfree" category. Fiscal health is strong, but rule of law scores are far below average.

IMPACT OF COVID-19: As of December 1, 2021, 2,944 deaths had been attributed to the pandemic in Cambodia, and the government's response to the crisis ranked 51st among the countries included in this *Index* in terms of its stringency. The economy contracted by 3.5 percent in 2020.

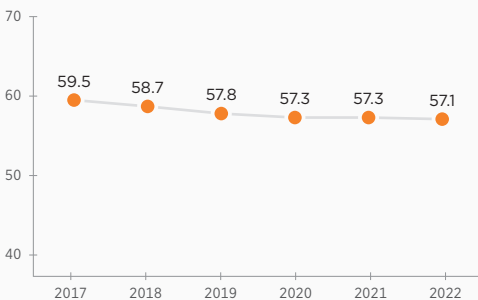
WORLD RANK: **106** | REGIONAL RANK: **21**
 ECONOMIC FREEDOM STATUS: **MOSTLY UNFREE**

ECONOMIC FREEDOM SCORE



HISTORICAL *INDEX* SCORE CHANGE (SINCE 1997): +4.3

RECENT FREEDOM TREND



QUICK FACTS

POPULATION:
16.7 million

GDP (PPP):
\$73.6 billion
-3.5% growth in 2020
5-year compound annual growth 5.0%
\$4,695 per capita

UNEMPLOYMENT:
0.3%

INFLATION (CPI):
2.9%

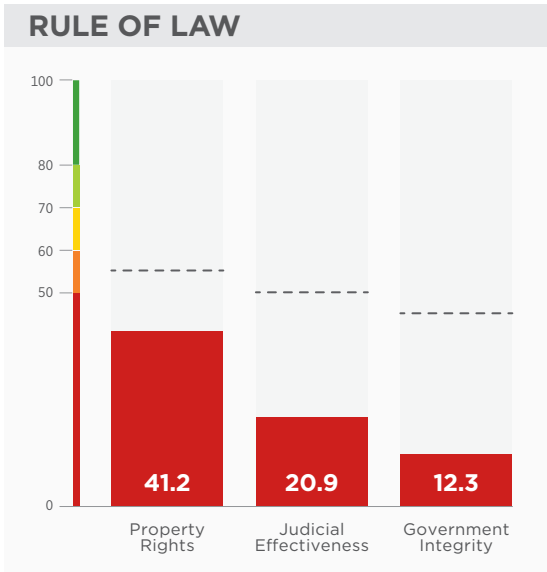
FDI INFLOW:
\$3.6 billion

PUBLIC DEBT:
31.6% of GDP

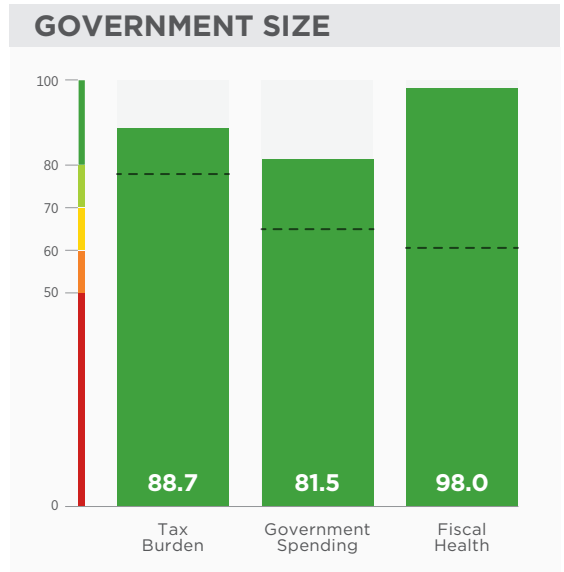
2020 data unless otherwise noted. Data compiled as of September 2021

BACKGROUND: Former Khmer Rouge member and now Prime Minister Hun Sen has ruled Cambodia since 1985. In 2017, his Cambodian People's Party executed an unprecedented crackdown against the opposition Cambodia National Rescue Party (CNRP) in the lead-up to local elections, and the CNRP was later banned and dissolved by the Cambodian Supreme Court. Elections in 2018 confirmed Cambodia's status as a one-party state. The economy remains heavily dependent on tourism revenues and garment exports. More than half of the labor force is engaged in subsistence farming, and Cambodia remains one of Asia's poorest countries. The European Union, Cambodia's largest export market, partially suspended Cambodia's preferential trade treatment in 2020 because of the government's violations of human rights, including the 2017 crackdown.

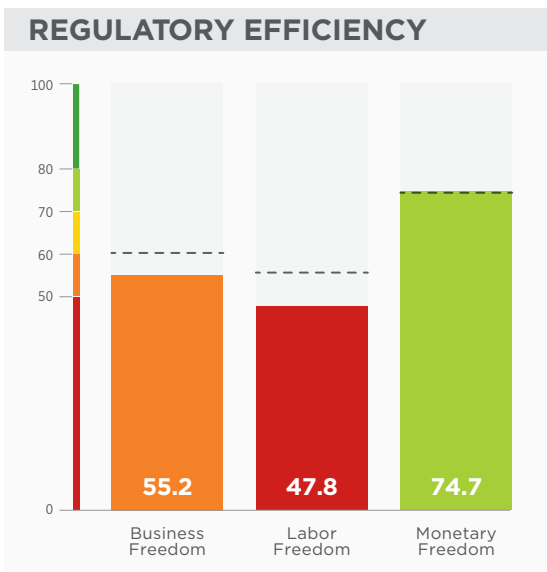
12 ECONOMIC FREEDOMS | CAMBODIA



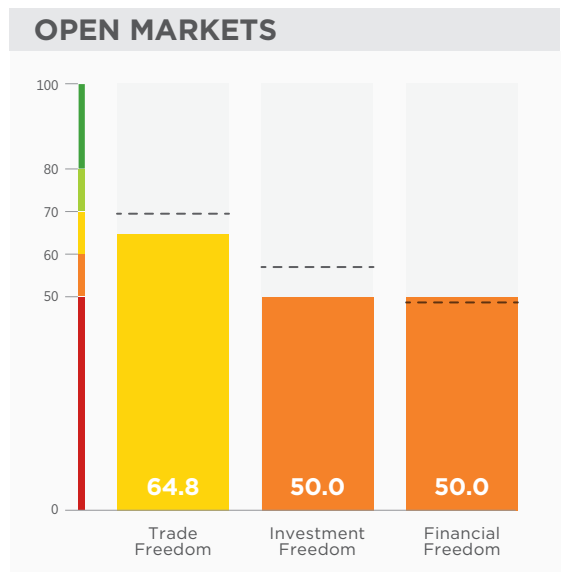
Land and property rights are regularly abused for the sake of private development projects. Overall, the weak protection of property rights reflects the ongoing negative impact of the Khmer Rouge era in the 1970s. Most property holders do not have legal titles. The understaffed and poorly trained judiciary is characterized by corruption and a lack of independence. Corruption is rampant and is especially pervasive in public procurement and tax administration.



The top individual income and corporate tax rates are 20 percent. Other taxes include excise and value-added taxes. The overall tax burden equals 18.2 percent of total domestic income. Government spending has amounted to 24.8 percent of total output (GDP) over the past three years, and budget surpluses have averaged 0.7 percent of GDP. Public debt is equivalent to 31.6 percent of GDP.



The government puts forth new regulations and economic policies without consulting the business community. Chinese state-owned enterprises receive preferential treatment. Because of the 1975–1979 genocide, most Cambodians lack higher education or specialized skills. Large subsidies for public–private partnerships and state-owned enterprises continue, and the government introduced new subsidies for garment workers in 2021.



Cambodia has seven preferential trade agreements in force, and its trade-weighted average tariff rate is 10.1 percent. One formal nontariff measure is in effect, but other impediments to trade flows persist. State-owned enterprises distort the economy, preventing dynamic investment. Credit is generally allocated on market terms, but credit for entrepreneurial activity is limited by lack of access to the full range of financing instruments.