

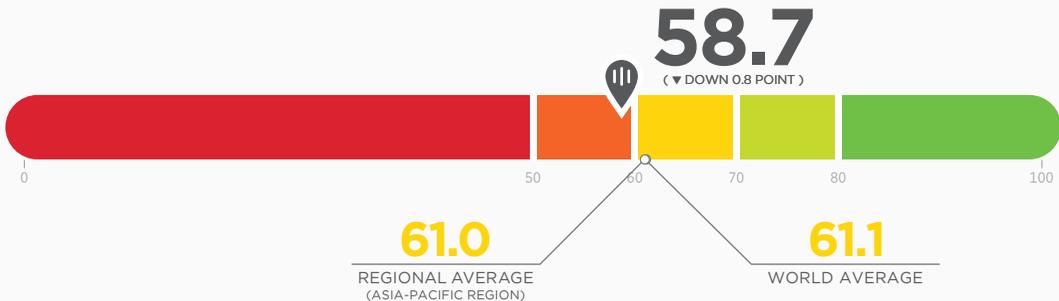
CAMBODIA

Cambodia's economic freedom score is 58.7, making its economy the 101st freest in the 2018 *Index*. Its overall score has decreased by 0.8 point, with declines in **property rights**, **labor freedom**, and **fiscal health** outweighing an improvement in **government integrity**. Cambodia is ranked 22nd among 43 countries in the Asia-Pacific region, and its overall score is below the regional and world averages.

Growth rates remain high, boosted by a garment industry that is well integrated into the world trading system. The economic impact of an 11 percent increase in garment-sector wages, allegedly intended to buy votes ahead of 2018 elections, has yet to be felt. Cambodia is a recipient of Chinese "Belt and Road" foreign aid that is delivered without the conditions for domestic political reforms that Western donors impose. Weak property rights and pervasive corruption continue to constrain economic freedom, and institutionalization of a more independent judiciary remains a key area for reform.

WORLD RANK: **101** | REGIONAL RANK: **22**
ECONOMIC FREEDOM STATUS: **MOSTLY UNFREE**

ECONOMIC FREEDOM SCORE

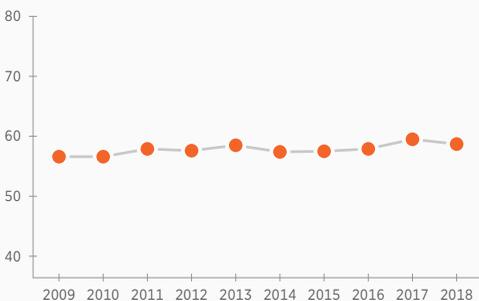


NOTABLE SUCCESSES:
Government Size, Trade Freedom, and Monetary Stability

CONCERNS:
Rule of Law, Business Freedom, and Financial Freedom

OVERALL SCORE CHANGE SINCE 2014:
+1.3

FREEDOM TREND



QUICK FACTS

POPULATION:
15.8 million

GDP (PPP):
\$59.0 billion
7.0% growth in 2016
5-year compound annual growth 7.2%
\$3,737 per capita

UNEMPLOYMENT:
0.3%

INFLATION (CPI):
3.0%

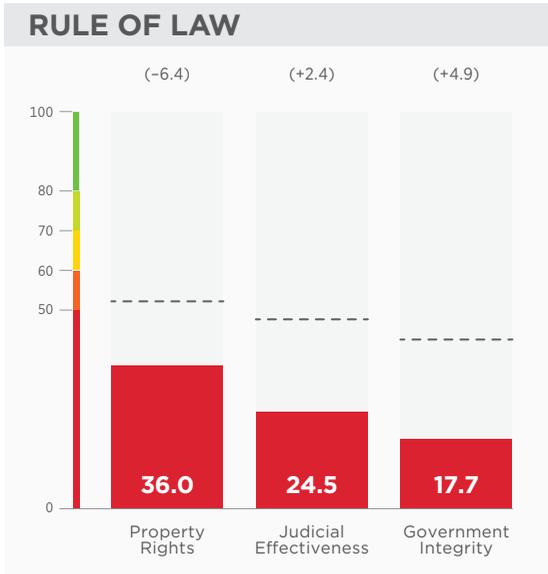
FDI INFLOW:
\$1.9 billion

PUBLIC DEBT:
33.0% of GDP

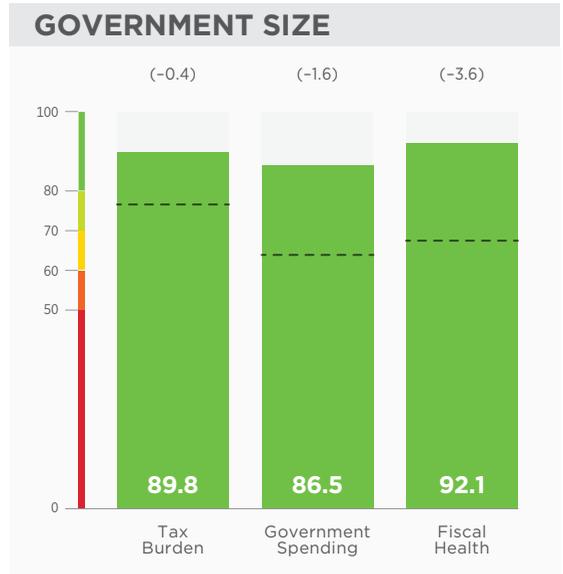
2016 data unless otherwise noted. Data compiled as of September 2017

BACKGROUND: Nominally a democracy, Cambodia has been ruled by former Khmer Rouge member and now Prime Minister Hun Sen since 1985. The 2013 general election victory of Hun Sen's Cambodian People's Party was hotly contested by the opposition Cambodia National Rescue Party. In 2014, Hun Sen promised to initiate electoral reform, and both parties agreed to suspend protests. Those reforms were only partially implemented, and the CPP government implemented an unprecedented crackdown against the CNRP in the lead-up to local elections in 2017. Cambodia's economy remains heavily dependent on tourism and the apparel industry. More than half of the labor force is engaged in subsistence farming, and Cambodia remains one of Asia's poorest countries.

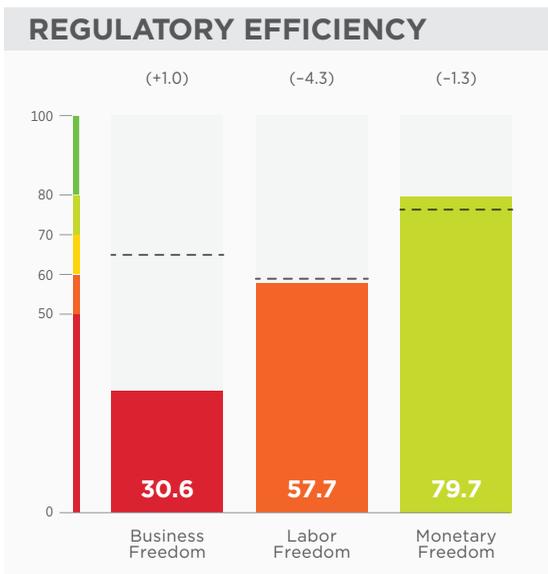
12 ECONOMIC FREEDOMS | CAMBODIA



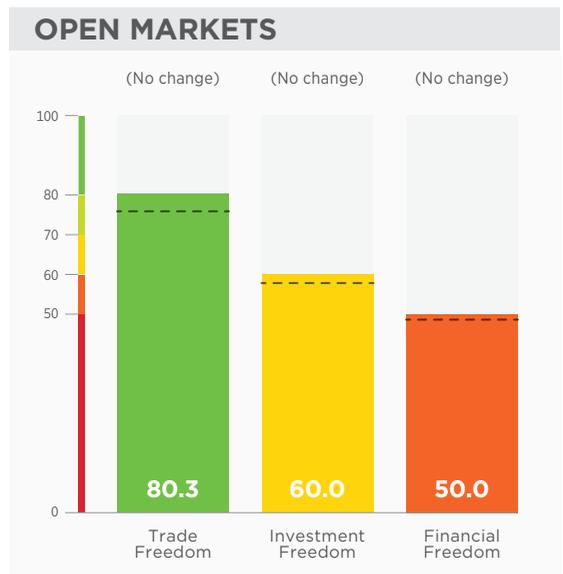
Land rights are a contentious issue in Cambodia, complicated by the fact that most property holders lack legal documentation of their ownership because of official policies and social upheaval during the Khmer Rouge era. The judiciary is politicized and marred by inefficiency, poorly trained judges, and a lack of independence. Pervasive corruption remains a serious obstacle to economic development and social stability.



The top individual income and corporate tax rates are 20 percent. Other taxes include excise and value-added taxes. The overall tax burden equals 15.0 percent of total domestic income. Over the past three years, government spending has amounted to 21.2 percent of total output (GDP), and budget deficits have averaged 1.9 percent of GDP. Public debt is equivalent to 33.0 percent of GDP.



Entrepreneurs have benefited from a modest increase in business freedom and especially from the wider availability of credit and more access to electricity. The rigidity of the formal labor market is partly responsible for the existence of an underground dual labor market. Dollarization limits the international impact of domestic subsidies, which distort internal markets in agriculture and other products.



Trade is extremely important to Cambodia's economy; the combined value of exports and imports equals 127 percent of GDP. The average applied tariff rate is 4.9 percent. Nontariff barriers impede some trade. Government openness to foreign investment is above average. The financial system remains segmented and subject to government influence. The stock market lists only a small number of companies.