



***SANCTIONS, SCAM COMPOUNDS, AND  
CAMBODIA'S DOLLARIZED  
DEVELOPMENTAL CROSSROADS, 2025  
TO 2030***

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*This is part one in a two-part series.*

Last week, the United States imposed sweeping sanctions on Cambodia's Prince Group, designating it a Transnational Criminal Organization and freezing United States-based assets of its affiliates and leadership. These measures, combined with parallel actions against Huione Group and linked networks, now include a final FinCEN Section 311 rule that [severs Huione](#) from the United States financial system and an initial wind-down license that grants only a narrow and temporary grace period. The United Kingdom issued coordinated listings, and the Department of Justice unsealed an indictment of the principal figure at the center of the network. In scale, coordination, and legal architecture, this remains the most consequential external intervention in Cambodia's economy since the end of the United Nations transitional period in 1993. The sanctions are not simply punitive. They strike at the foundation of Cambodia's hybrid model, an economy that is both globally integrated and institutionally opaque, dependent on foreign capital while sustained by domestic patronage.

The immediate shock arises from the collision between external enforcement and Cambodia's extraordinary financial vulnerability as a highly dollarized economy. Approximately 91% of

transactions are conducted in United States dollars, and the riel functions primarily as a symbolic currency of sovereignty while the dollar underpins nearly all liquidity and savings. This dependency renders the economy acutely exposed to disruptions in dollar flows, correspondent banking relationships, and sanctions-related risk aversion among regional intermediaries. What might elsewhere be a contained compliance event becomes, in Cambodia, a potential systemic liquidity shock. That shock has been visible in the first days after the designations as correspondent banks tighten due diligence and as Huione is cut off categorically from United States correspondent access under the 311 rule.

The sanctions have therefore placed Cambodia's dollar-based financial architecture in a state of quiet crisis. Even absent formal United States secondary sanctions, banks and payment platforms that facilitate transactions in dollars must comply with prohibitions. Any link, direct or indirect, to designated entities or individuals creates exposure. For a system where nearly every transaction is dollar-cleared, the implications are vast. The OFAC wind down window modestly reduces immediate gridlock but only for a limited set of transactions and for a short period. The National Bank of Cambodia has [publicly assured](#) deposit safety and operational continuity, signaled readiness to provide liquidity support, and engaged with banks to manage withdrawal pressure and episodes of digital outage. These measures target confidence today while leaving open the question of how quickly medium-term supervisory and enforcement credibility can be rebuilt to satisfy non-United States correspondent banks that are now reassessing risk.

From late 2025 onward, Cambodia will confront a multi-dimensional stress test. The sanctions will have disrupted elite accumulation and the real estate driven liquidity cycle. The government will need to decide whether to pursue reform and institutional realignment or to retreat into strategic defiance, shielding itself through deeper dependence on China's financial networks. The choices made in the next two years will determine whether Cambodia remains a dollarized economy integrated with global finance or evolves toward partial decoupling and yuan

substitution, and whether the system can preserve access to dollar clearing through a shrinking roster of regional correspondents or whether frictions harden into a semi-permanent tax on growth.

### **Scenario A: Reform and realignment**

In this highly optimistic trajectory, the Cambodian government treats the crisis as a structural reckoning rather than an affront. Between 2026 and 2028, it undertakes visible reforms to restore international credibility. The Financial Intelligence Unit is strengthened. Beneficial ownership transparency expands to cover trusts and complex corporate structures with timely reporting for banks. The government cooperates with American and regional law enforcement on trafficking and scam related investigations, including joint operations and extradition where appropriate. The National Bank of Cambodia prioritizes safeguarding dollar liquidity by enforcing stricter compliance within the domestic banking sector, publishing new guidance on politically exposed person screening and enhanced due diligence, tightening oversight of correspondent accounts, and aligning supervisory practice with global standards. Courts and prosecutors show movement on a first wave of high-profile domestic cases linked to compounds and forced labor. Over time sanctions begin to ease for entities that can demonstrate remediation, while targeted wind downs and ring fencing isolate the non-remediable nodes. Dollar confidence stabilizes as foreign banks perceive reduced reputational risk and as rejection rates on cross border wires decline. Growth rebounds toward 5% annually by 2029, compared with a likely dip to 3% in 2026. This outcome demands political will, internal consensus, an unprecedented degree of technocratic autonomy for the central bank and the FIU, and verifiable results against compounds rather than episodic raids.

### **Scenario B: Strategic defiance and Sino financial shielding**

This scenario remains the modal path. In its statements to date, Phnom Penh has emphasized due process and challenges the narrative around targeted individuals and entities, stating that citizenship and

corporate registrations are legal under Cambodian law and that cooperation with foreign partners will occur if requests are supported by sufficient evidence. The government's public posture has been to urge a [fair process](#) while signaling that it will work bilaterally as appropriate. Simultaneously the National Bank of Cambodia has moved to reassure depositors and stabilize operations at Prince Bank, including messaging on the safety of customer funds and coordination with management during a period of withdrawal pressure and service disruption. These steps reduce immediate panic but do not by themselves close the credibility gap that matters most for correspondent banks and payment companies now weighing long term risk.

Under a scenario of strategic defiance, reliance on Chinese investment, credit, and diplomatic cover deepens. Cambodia accelerates participation in yuan settlement through regional channels while dollar use remains indispensable in the formal economy for trade, tourism receipts, and remittances. The result is a dual liquidity regime in which state-linked and sanctions-adjacent activities migrate toward yuan or mixed-currency arrangements that deliberately route around United States touchpoints, while compliant firms keep paying a higher premium for reliable dollar clearing. Western and Northeast Asian investors stay cautious in sectors that require clean global financial connectivity. The premium on dollar funding becomes structural as correspondents raise fees, limit counterparties, or curtail lines, and the cost of cross border payments increases for firms and households without alternative routes. Growth depends more heavily on Chinese credit and infrastructure, and gross domestic product expands at roughly 3.5 to 4% a year, with institutional credibility and financial sovereignty eroding over time as the economy fragments into parallel rails.

### **Scenario C: Escalation and financial isolation**

If Cambodia refuses reform and fresh evidence emerges of ongoing criminality or sanctions evasion, Western powers may impose secondary sanctions or broaden designations to financial institutions previously seen as peripheral. Major Cambodian banks could lose access to dollar clearing altogether

through termination of correspondent accounts. The consequences would be severe. United States dollar liquidity would evaporate, the riel would depreciate sharply, and inflation would surge. Trade would contract as importers struggle to secure foreign exchange. The informal currency market would expand and premium pricing for physical cash would spread from border provinces into the capital. The government might attempt emergency yuanization by deepening integration with Chinese payment systems and activating bilateral swap arrangements, but yuan adoption would not substitute for the depth and acceptability of the dollar. Output would shrink, foreign reserves would decline, and growth could fall below 2% by 2028 with immediate contraction in construction, energy, medicine, and retail distribution. A likely policy response would be tighter capital controls, further centralization of financial decision making, and a turn towards non-Western partners.

In part 2, we will explore the differing circumstances and factors that will determine which route Cambodia takes.

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