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Beyond the Border: Cambodia's Economic Strain from the Thailand Conflict

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Introduction

On May 28, 2025, Cambodian and Thai soldiers clashed in the Emerald Triangle, the tri-border area shared by Cambodia, Thailand, and Laos. The confrontation left one Cambodian soldier dead and set off a sharp deterioration in bilateral relations.

Border crossings were shut down, Cambodia imposed bans on Thai imports of vegetables, fruits, telecommunications, and energy, and mutual accusations over the origins of the clash have persisted.

While the political and security dimensions are still evolving, the economic consequences for Cambodia are already materializing. This analysis focuses on four major areas of impact: trade, tourism, displaced families, and migrant workers.

Trade: Limited Exposure but Sectoral Risks

Cambodia's targeted import bans primarily cover goods in which the country already has a comparative advantage and a domestic production base.

For example, in the first seven months of 2025, Cambodia exported US$1.45 billion worth of vegetables and fruits, compared to just US$9.6 million imported from Thailand. The substitution potential is high, and full coverage of the banned imports is feasible.

Energy imports from Thailand including diesel, gasoline, liquefied petroleum gas, fuel oil, and jet fuel were also banned. Alternative suppliers such as Singapore and Vietnam can bridge the gap, minimizing long-term disruption.

However, certain agricultural inputs remain a concern. Cambodia imported US$41 million in fertilizer from Thailand in 2024. While Vietnam can substitute most of this, a more serious vulnerability lies in cassava.

Cambodia exported around US$130 million worth of mostly raw cassava to Thailand in the first seven months of 2025. If the conflict persists and land transport remains restricted, these exports could decline sharply unless domestic processing capacity is expanded to serve alternative markets such as China.

Importantly, the impact is confined to land-based trade routes. Maritime and air transport remain operational, providing critical supply-chain resilience.

Tourism: The Sharpest Hit

The tourism sector faces the steepest immediate impact. Thailand was Cambodia's largest source of tourists in 2024, with 2.15 million arrivals accounting for 32 percent of all visitors. Following the border clash, the number of Angkor Wat ticket sales to Thai nationals in July 2025 fell by 92.32 percent compared to July 2024.

The perception of risk is a key driver. The proximity of Cambodia's main attraction, Angkor Wat, to the border just 161 kilometers has heightened safety concerns among travelers. The result is a chilling effect not only on Thai tourists but also on other visitors wary of possible escalation.

This contraction directly threatens the livelihoods of Cambodians who depend on tourism-related income. While job creation statistics for Siem Reap are not available, tourism overall supported approximately 510,000 direct jobs in 2024. Vendors, restaurants, and hospitality workers stand to lose the most.

Displaced Families: Loss of Livelihood and Debt Risk

The conflict has displaced around 120,000 people from border areas, disrupting farming, halting business activities, and destroying crop yields and livestock. The resulting loss of income undermines their ability to repay loans, raising default risks.

Thought the National Bank of Cambodia, in coordination with 12 commercial banks, has introduced temporary debt relief for soldiers, displaced families, and their dependents.

This is a critical short-term lifeline, but the longer the conflict persists, the greater the risk that temporary measures will be insufficient.

Migrant Workers: Remittance Shock and Job Market Strain

An estimated 1.2 million Cambodian migrant workers were in Thailand as of May 2025, sending home at least US$1 billion in remittances in 2024. These funds are vital for household consumption and debt repayment.

If the diplomatic worsens, a significant number of workers could be forced to return. In the short term, this would cause a sharp drop in remittances, increasing household debt stress.

The medium-term challenge lies in labor market absorption: as of August 2025, Cambodia had roughly 100,000 job openings far short of the capacity needed to integrate a large returning workforce.

Without coordinated job creation and skills matching, unemployment could rise, fueling economic dissatisfaction.

Mitigation and Opportunity

To limit the economic fallout, the government should develop alternative logistics routes for domestic fruits and vegetables, support SMEs to scale up production, and invest in processing facilities to convert raw cassava for export to China and other markets.

Tourism recovery should focus on marketing alternative destinations like Sihanoukville, Kampot, Kep, and eco-tourism sites, while targeting key markets such as China, Vietnam, and Korea.

The government should continue to monitor the debt health of displaced families, prepare contingency funds for extended relief, and provide grants and agricultural inputs to restart livelihoods once stability returns.

Reskilling programs and labor-intensive public works can help absorb returning migrant workers into high-potential sectors such as construction, manufacturing, and agro-processing.

Despite the challenges, the crisis offers opportunities for local industries, especially agriculture, to reclaim market share from Thailand and for SMEs to expand.

Finally, the government must maintain its commitment to diplomacy and peace as the foundation for negotiations, leveraging ASEAN and international mechanisms to safeguard national interests. The continued presence of international observers can help ensure fairness and accountability between the parties.

Conclusion

Although Cambodia's trade exposure to Thailand in the banned categories is limited and alternative supply channels exist, the tourism sector, displaced communities, and remittance-dependent households face significant near-term pressures. This makes it essential to formulate a comprehensive mitigation plan to prepare for any possible scenarios.

Both countries must remain committed to diplomacy and constructive dialogue to uphold the ceasefire, restore peace, and reopen trade. In the end, armed conflict serves no one's interests but only economic loss and human suffering to all sides.