

Assessment of the Impact of Cambodia-Thailand Border Conflicts on Cambodia's Economy¹

November 17, 2025

I. Introduction

1. The long-standing disputes along the Cambodia–Thailand border resurfaced in mid-2025, disrupting cross-border economic activities and posing potential headwinds to Cambodia's economy. What began as a brief skirmish on May 28 escalated into direct armed clashes on July 24, before both sides agreed to a ceasefire four days later. During this period, major checkpoints were closed, trade in key goods was suspended, and hundreds of thousands of Cambodian migrant workers in Thailand returned home. Although the ceasefire has since held, and an expanded cease-fire deal has been signed by two countries during the 47th ASEAN Summit in October, border crossings remain largely closed and tensions persist at both the political and community levels. Against this backdrop, it remains valuable to assess the economic linkages and potential risks associated with such conflicts, as border disputes between the two nations have tended to recur over time, with possible lasting implications for trade, tourism, and labor mobility.

2. This note attempts to assess the economic impact of the border conflict on Cambodia's economy through key channels, using a qualitative approach. The conflict is event-driven and localized, making it difficult to calibrate reliable parameters or draw on historical precedents for Cambodia. Moreover, available data remains limited and may not fully capture short-term disruptions. Given the unique nature of the recent border conflict and continuously evolving situations, the aim, therefore, is not to quantify its exact impact on the

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Cambodian economy, but rather to outline the main transmission channels and plausible ranges of impact, which can be refined as more data and evidence become available.

3. This note also assesses how the recent border conflict could pose additional downside risks to Cambodia's near-term growth outlook across different scenarios.

The impact in 2025 is expected to materialize mainly through the remittance and tourism channels, as the border closure curtails labor mobility and dampens tourist confidence. By contrast, trade and inflation effects remain contained, as essential goods are being partly substituted by imports from other countries or domestic production. Looking ahead to 2026, although a ceasefire was signed on the sidelines of the ASEAN Summit in October, conditions remain fluid, keeping the outlook uncertain. To frame that uncertainty, this note sets out alternative scenarios and explains how key transmission channels could evolve under each case. The remainder of the paper proceeds as follows: Section II reviews the dynamics of the dispute; Section III maps the economic links between Cambodia and Thailand; Section IV analyzes the transmission channels and quantifies near-term impacts in 2025; Section V presents scenario analysis for the 2026 growth outlook; and Section VI discusses policy implications.

II. Dynamics of the Border Dispute between Cambodia and Thailand

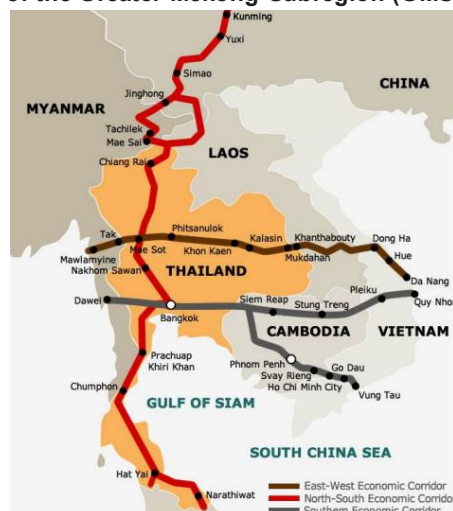
4. The recent border clashes between these two neighbours represent the latest episode in a century-old territorial dispute that has periodically disrupted bilateral relations. Cambodia and Thailand share more than 800 kilometers of land border, and long-standing border disputes have periodically caused tensions between the two neighbours before the recent one. The contested areas—most notably around the Preah Vihear Temple and adjacent zones in Oddar Meanchey and Preah Vihear provinces—trace their roots to colonial-era demarcation disagreements. Although both countries have repeatedly pledged to resolve disputes through peaceful means, incidents have resurfaced whenever domestic politics heightened sensitivities over national sovereignty. The recent dispute was triggered on May 28, when armed forces from both countries briefly exchanged fire, resulting in the death of a Cambodian soldier. Since then, the situation has escalated, with each side taking actions such as imposing additional border restrictions (Figure 1), banning certain product imports, and recalling migrant workers and eventually developed to military conflicts (See Appendix I for Major Developments in the Cambodia-Thailand Border Conflict).

Figure 1. Map of Key Border Areas Affected



Source: Reuters reporting; The Humanitarian Data Exchange | Pasit Kongkunakornkul
 Note: This map shows the locations where military clashes have occurred along the disputed border between Thailand and Cambodia.

Figure 2. The Southern Economic Corridor (SEC) of the Greater Mekong Subregion (GMS)



Source: Maullon et al. (2017)

5. The ceasefire was reached quickly, but the pace of normalization has been slow, leaving lingering economic uncertainty and fragile sentiment along the border. The armed conflict began in earnest on July 24, during which both sides exchanged fire across key frontier zones, before the ceasefire took effect on July 28. As of early October 2025, major crossings remain fully closed, with no indication that the border will reopen in the near term.² Informal trade and cross-border travel—central to livelihoods in frontier provinces—have yet to recover, and local communities remain cautious. Meanwhile, public campaigns in Cambodia to boycott Thai imports have gained traction, signalling that tensions have permeated consumer behaviour as well.³ The prolonged closure has delayed the resumption of labor and goods mobility and weakened the tourism sentiment. Looking ahead, even if open conflict does not resume, lingering mistrust between the two countries may exert subtle but lasting effects on cross-border commerce, tourism, and remittance flows, marking the 2025 incident as a potential inflection point in Cambodia–Thailand economic relations.

III. Cambodia's Economic Linkages with Thailand

6. Cambodia and Thailand have shared one of Southeast Asia's most dynamic economic relationships, centered along their shared border that forms the backbone of the Southern Economic Corridor (SEC) under the Greater Mekong Subregion (GMS) framework. The SEC links Bangkok to Cambodia's major economic centers like Phnom Penh and Siem Reap, and extending further eastward to Ho Chi Minh City in Vietnam (Figure 2). This corridor serves as a key trade and transport artery between the two countries (Sau, 2012), with Thailand being a source of energy, consumer goods, and intermediate inputs, while Cambodia supplies agricultural products, light manufactures, and labor. The corridor area also

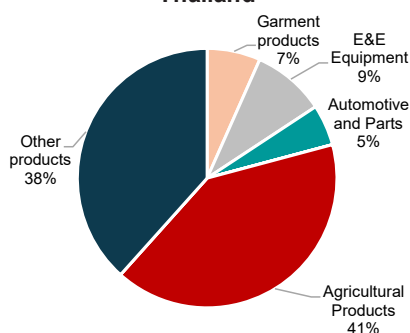
² See <https://asia.nikkei.com/politics/international-relations/thailand-cambodia-conflict/thailand-will-not-reopen-cambodia-border-anytime-soon-thai-army-says>

³ See <https://www.khmertimeskh.com/501759741/assault-on-border-civilians-heats-up-boycott-of-thai-goods/>

acts as an economic lifeline for border provinces, most of which are endowed with rich agricultural resources, such as cassava, rice, rubber, sugarcane, and beans.

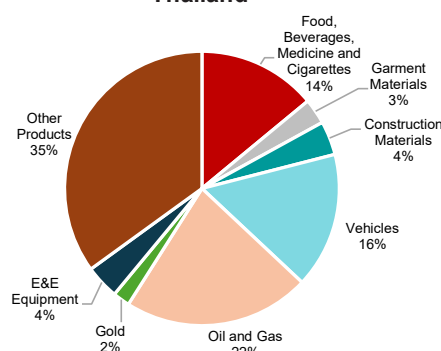
7. Beyond the border economies, bilateral goods trade between Cambodia and Thailand remains substantial at the national level, with Cambodia running a trade deficit with Thailand. Cambodia's goods exports to Thailand account for 3.2 percent of its total goods exports, consisting mainly of agricultural products (such as cassava and mangoes), vehicle spare parts, and electrical components (Figure 3). Meanwhile, Cambodia's goods imports from Thailand make up 13.5 percent of its total goods imports, primarily comprising gas and diesel, vehicles, and fruits and vegetables (Figure 4). Overall, Cambodia runs a trade deficit against Thailand (Figure 5). Besides, although Cambodia's overall goods export dependence on Thailand remains limited, the country relies heavily on Thailand for petroleum products and foodstuffs (Figure 6). Notably, more than 30 percent of Cambodia's total petroleum product imports come from Thailand. A large share of this supply is handled by Thailand's state-owned oil company, Petroleum Authority of Thailand (PTT), which oversees refining, distribution, and cross-border fuel logistics.

Figure 3. Cambodia's Goods Exports to Thailand



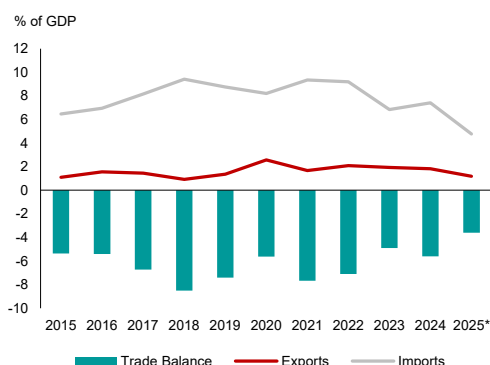
Source: General Department of Customs and Excise (GDCE); AMRO staff calculations
Note: Data is as of 2024.

Figure 4. Cambodia's Goods Imports from Thailand



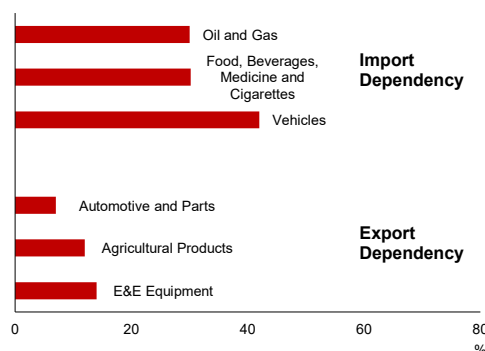
Source: GDCE; AMRO staff calculations
Note: Data is as of 2024.

Figure 5. Cambodia's Trade with Thailand



Source: GDCE; AMRO staff calculations and projections
Note: 1) Trade data in 2025 is as of January to September. 2) The nominal GDP for 2025 is based on AMRO staff's projection.

Figure 6. Cambodia's Trade Dependence on Thailand by Sector: Top Three Categories



Source: GDCE; AMRO staff calculations
Note: 1) Data is as of 2024. 2) Export / import dependence on Thailand is measured as the share of Cambodia's exports to / imports from Thailand in each product category relative to Cambodia's total exports / imports of that category to the world.

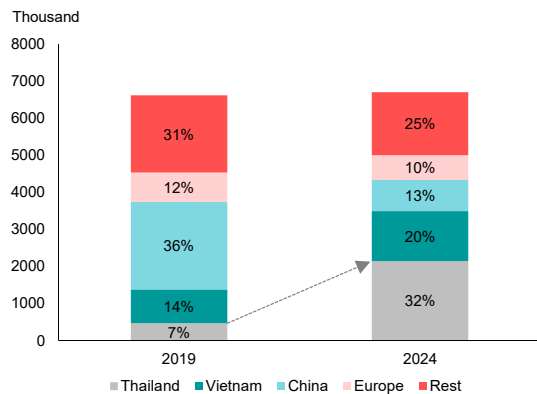
8. In terms of cross-border trade in services, Cambodia receives sizable utility services—such as electricity and internet connectivity—from Thailand. The two countries have maintained close cooperation in cross-border electricity and internet supply. Several border provinces, including Banteay Meanchey and Battambang, rely on imported electricity from Thailand to supplement domestic energy needs, particularly during peak demand periods. As of 2024, Cambodia imports around 672 megawatts of electricity from Thailand, Vietnam, and Laos combined, with Thailand being a major contributor. These imports account for roughly 25 percent of Cambodia's total electricity supply. In addition, Cambodia's internet connectivity heavily depends on cross-border fibre-optic and submarine cable links—primarily routed through Thailand and Vietnam. Thailand serves as a key transit hub for international internet connectivity, with Cambodian telecom providers relying on Thai infrastructure to access global bandwidth.

9. Meanwhile, in the post-pandemic period, Thailand has become the largest source of visitors to Cambodia, accounting for around 30 percent of total arrivals. Before the pandemic, Thailand accounted for 7 percent of Cambodia's international visitor arrivals, ranking after China (36%), Vietnam (13.7%), and Europe (12%) (Figure 7). However, this figure likely underestimated the actual number of Thai visitors, as official statistics did not fully capture those crossing the Cambodia–Thailand border by land. The pandemic, while disrupting travel, also led to stricter border controls and improvements in data reporting, resulting in more comprehensive coverage of cross-border movements. Besides, after the pandemic, more travelers from Thailand crossed by land to visit Cambodia's border-area casino towns.⁴ As a result, Thailand has since emerged as Cambodia's top source of visitors (Figure 7), with the inclusion of additional visitors entering by land (Figure 8). The purpose and spending behavior of Thai visitors differ depending on their mode of entry: those arriving by air typically visit major cities such as Phnom Penh, Siem Reap, and Sihanoukville for tourism or business, whereas those crossing by land often engage in wholesale or retail trade or visit entertainment venues such as casinos. Consequently, the latter group tends to have shorter stays and lower daily expenditures.

10. Migrant workers also represent an important economic linkage between Cambodia and Thailand. Thailand is a preferred destination for Cambodian migrants due to its high demand for unskilled and semi-skilled labor (Orbeta, 2013). Cambodians have migrated to work in Thailand in specific sectors, such as construction, manufacturing, and agriculture (Figure 9, Thou et al., 2023). As of 2024, approximately 1.4 million Cambodian workers were employed abroad, with the majority—around 1.2 million—working in Thailand. A survey of parents of Cambodian migrant workers in Thailand, conducted by Thou et al. (2023), indicated that, on average, households received USD 95.5 in monthly remittances from Thailand, which were mainly used for daily expenses, particularly food, children's education, and healthcare (Figure 10).

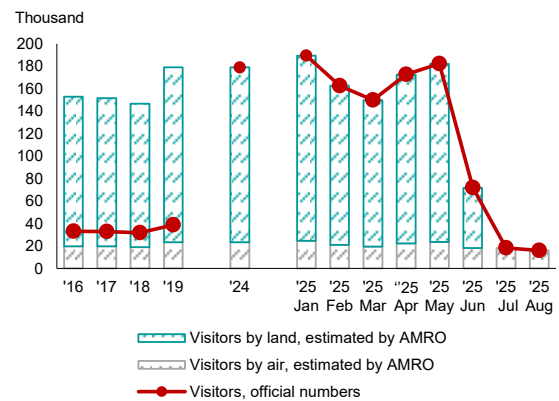
⁴ In November 2020, Cambodia enacted the Law on the Management of Commercial Gaming (LMCG) which for the first time provided a comprehensive legal and regulatory framework for commercial gambling (casinos, games of chance, etc).

Figure 7. International Visitors Arrival



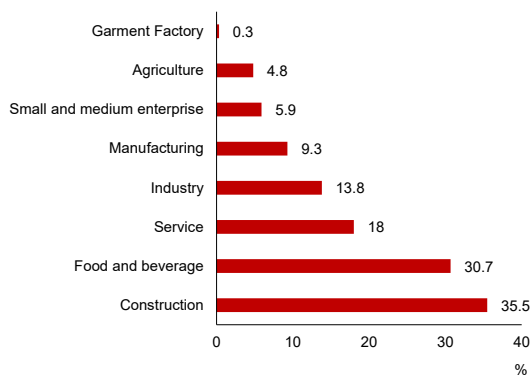
Source: Ministry of Tourism; AMRO staff calculations

Figure 8. Monthly Average of Thailand Visitor Arrival by Mode



Source: Ministry of Tourism; AMRO staff estimations

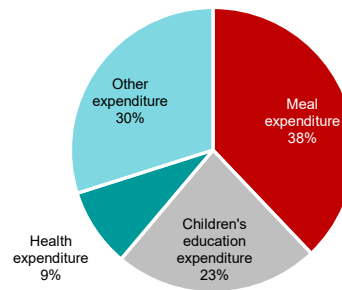
Figure 9. Types of Employment of Cambodian Migrant Workers in Thailand



Source: Thou et al. (2023)

Note: Note: Based on interviews with 355 Cambodian households headed by parents of migrant workers in Thailand; The categories may overlap with each other.

Figure 10. Household Use of Monthly Remittances from Thailand



Source: Thou et al. (2023)

Note: Based on interviews with 355 Cambodian households headed by parents of migrant workers in Thailand.

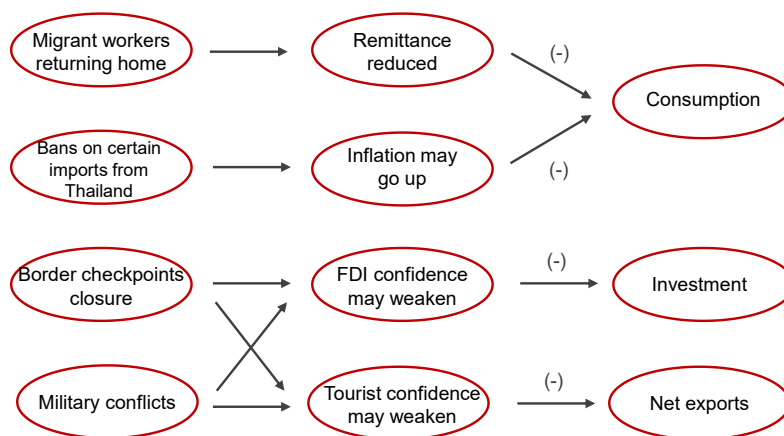
11. Beyond trade and labor linkages, Thai investment in Cambodia remains limited overall but is significant in key strategic sectors. In terms of foreign direct investment (FDI) stock, Thailand accounts for 3.3 percent of overall FDI to Cambodia as of 2024, much smaller than FDIs from other neighboring countries, such as China (34.7%), Korea (11.3%), Singapore (6.5%), and Japan (6.0%). Having said that, Thai investment is concentrated in a few large conglomerates which play strategically important roles in key sectors. Prominent examples include PTT Group in energy and fuel distribution, Siam Cement Group (SCG) in construction materials, CP Group in agribusiness and food processing, and Bangkok Bank and Hattha Bank⁵ in financial services.

⁵ Hattha Bank was originally Thai-owned and is currently a subsidiary of Krungsri (Bank of Ayudhya, Thailand), a member of the Mitsubishi UFJ Financial Group (MUFG), Japan.

IV. Key Economic Impact of the Border Conflict

12. The impact of the recent border conflict on Cambodia's economy is likely to materialize through several channels (Figure 11) and may take time for the economy to absorb, depending on both countries' pace of normalization and the Cambodian government's policy response to the shocks.

Figure 11. Main Economic Transmission Mechanisms of the Border Conflict



Source: AMRO staff illustration

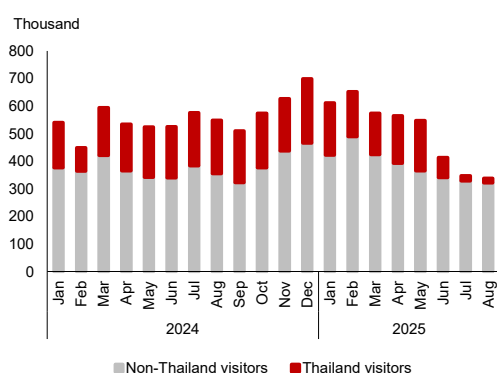
13. Lower remittances are likely to have the heaviest impact on the economy, given that a large number of migrant workers have returned from Thailand. In 2024, about 1.4 million Cambodian workers were employed abroad, sending home over USD 2 billion in remittances—equivalent to roughly 9.4 percent of household consumption or 5.6 percent of nominal GDP. The majority—around 1.2 million workers—were employed in Thailand. Since June, an estimated 0.9 million Cambodian workers have left Thailand.⁶ Although Cambodia and Thailand signed a ceasefire on July 28, uncertainties persist, as both governments continue to exchange accusations of violations. If the dispute continues, it could lead to a more permanent realignment of Cambodia's labor market. In the worst case, if these workers do not return to Thailand in the short term and lose their income source, remittance inflows could decline by about 37.5 percent. Based on the elasticity of remittances to GDP growth (0.34) estimated by Khiev and Tangtipongkul (2017), such a decline would reduce Cambodia's real GDP growth by more than 0.3 percentage points. Even if many returning workers manage to secure jobs domestically, their household incomes are unlikely to match pre-conflict levels, as daily wage rates in Thailand are almost twice as high as those in Cambodia (MLVT & ILO, 2014).

14. In the tourism sector, the sharp decline in Thai visitors—together with travel advisories issued by other countries—suggests that Cambodia's tourism industry will face significant setbacks this year, with deeper and more prolonged impacts if tensions persist. It is worth noting that Cambodia's tourism industry had not fully recovered even before the recent tensions, partly due to lingering reputation concerns related to online-scam

⁶ See <https://www.khmertimeskh.com/501742368/business-associations-urged-to-help-thailand-returned-migrant-workers/>

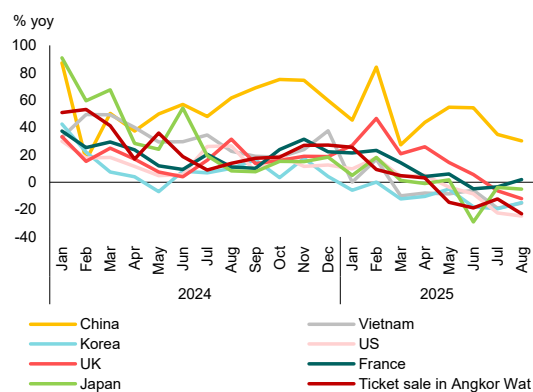
operations.⁷ What's worse, from June to August, the number of Thai visitor arrivals to Cambodia unsurprisingly plummeted (Figure 12), while arrivals from other countries also edged down slightly. According to preliminary reports, several countries—including the U.S., U.K., Australia, Canada, and Korea—have issued travel advisories or cautions regarding Cambodia. Looking ahead, the outlook for the tourism sector will largely depend on the pace of normalization in bilateral relations. In addition, the sector could come under greater pressure as online-scam-related trafficking and death cases gain wider attention, prompting countries such as Korea to tighten travel advisories and even impose travel bans on certain provinces. China remains a bright spot, where extensive tourism-promotion campaigns earlier this year continue to support visitor inflows (Figure 13).

Figure 12. International Visitor Arrivals



Source: Ministry of Tourism; AMRO staff calculations

Figure 13. Changes in Key Tourism Indicators

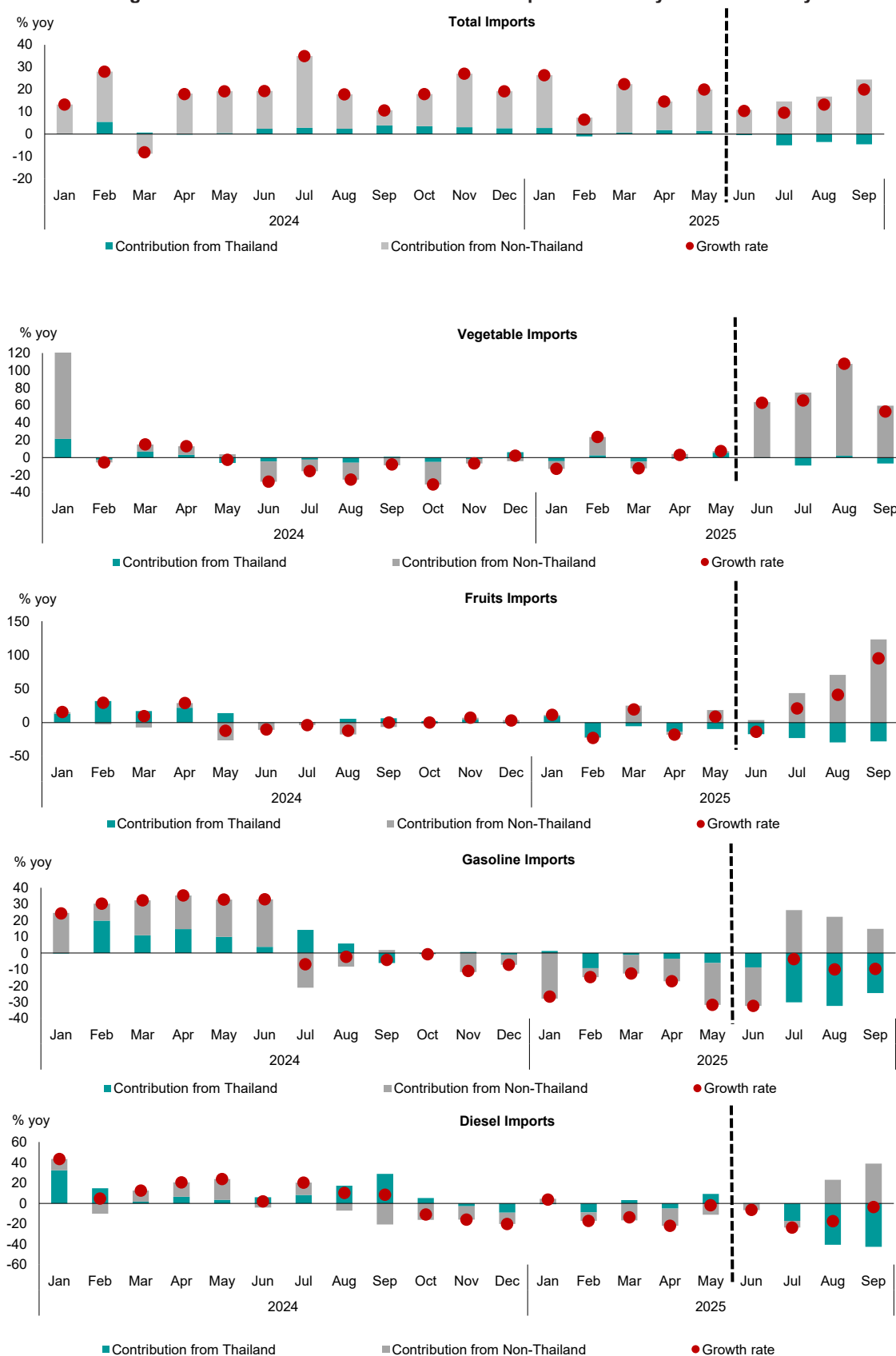


Source: Ministry of Tourism; Angkor Enterprise; AMRO staff calculations

15. Inflationary pressures are edging up but remain contained as alternative supplies hold up. On bilateral trade in goods, although Cambodia's overall export dependence on Thailand remains limited, the country relies heavily on Thailand for petroleum products and foodstuff. Notably, growing volumes of vegetables and fruits have been imported from Thailand in recent years, and more than 30 percent of Cambodia's total petroleum product imports come from Thailand. A large share of this petroleum supply is handled by Thailand's state-owned oil company, PTT, which has 186 gas stations in Cambodia. Due to the border closure, the Cambodian government's bans on certain imports from Thailand, and rising public sentiment to boycott Thai products. Data for June to September show a sharp decline in imports from Thailand, ranging from vegetables to fruits, and from gasoline to diesel. Having said that, to some extent, alternative import sources have partially substituted for Thai goods (Figure 14). As a result, while year-on-year inflation remained subdued at 1.7-1.9 percent, respectively (Figure 15), month-on-month inflation movements have shown a modest but broad-based uptick across all three inflation categories (Figure 16), indicating early signs of emerging price pressures. Should demand continue shifting toward other countries or local products, the impact on inflation is expected to remain mild.

⁷ See <https://asia.nikkei.com/business/business-spotlight/cambodia-s-scandemic-reputation-scares-off-travelers-from-china>

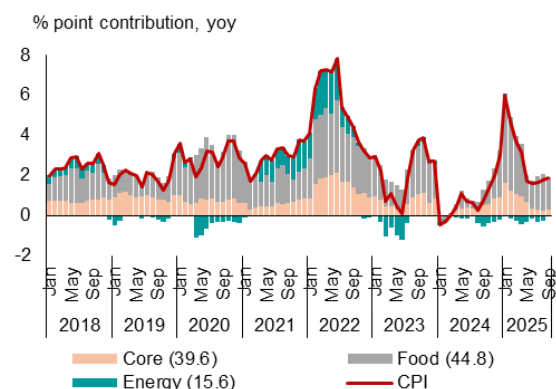
Figure 14. Contributions to Year-over-Year Import Growth by Source Country



Source: General Department of Customs and Excise (GDCE); AMRO staff calculations

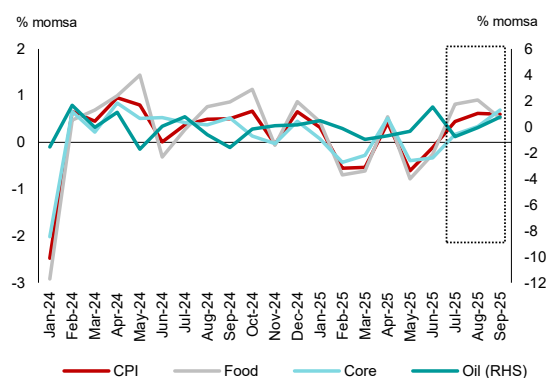
Note: 1) The dotted line indicates the time when the border conflict started (May 28). 2) The growth of vegetable imports in January 2024 reached 264 percent, exceeding the axis scale; however, the scale was kept fixed for better visual consistency.

Figure 15. Year-on-Year CPI Inflation



Source: National Institute of Statistics (NIS); AMRO staff calculations
Note: Numbers in parentheses indicate the weights in the basket.

Figure 16. Month-on-Month CPI Inflation



Source: NIS; AMRO staff calculation

16. Investment activity has remained resilient to date, though further escalation of tensions could lead to more significant deterioration. Cambodia has attracted strong FDI over the past decades and was recently ranked 1st in the 2025 Greenfield FDI Performance Index by fDi Intelligence. Investment sentiment earlier this year was dampened by the imposition of high tariffs by the U.S. administration, but later recovered following a substantial reduction in tariff rates to 19 percent. For instance, despite global economic challenges, Japanese electronics manufacturer Minebea Mitsumi is pushing forward to inaugurate its fourth factory in Cambodia in October.⁸ However, sustained or worsening strains in Cambodia–Thailand relations may weigh on FDI in certain sectors. Many manufacturing firms that had expanded into Thailand have adopted a “Thailand +1” strategy by setting up operations in Cambodia, which relies heavily on cross-border connectivity. Since the conflict began, companies have been forced to use sea routes and other means, resulting in higher transportation costs and production delays.⁹

17. In summary, in the near term, the remittance and tourism channels are the main drivers behind the downward revision of Cambodia’s 2025 growth forecast—from 5.2 percent to 4.9 percent. Looking ahead to 2026, broader and more persistent effects may surface through channels such as investor confidence, prolonged remittance losses, weaker tourism sentiment, and potential inflationary pressures, depending on how the situation evolves. It is therefore useful to conduct scenario analysis for 2026 to provide a holistic view of these possible developments.

V. Scenario Analysis for 2026 Growth Outlook

18. Under the baseline scenario (Table 1), growth is projected to edge up to 5.0 percent in 2026, assuming a gradual normalization of border activities and recovery in labor mobility and tourism. The ceasefire holds, and major border checkpoints begin reopening from early 2026, allowing the resumption of cross-border trade and worker movements. Remittance inflows, which fell sharply in mid-2025, are expected to recover steadily as most returning workers resume employment abroad by mid-2026. Tourist arrivals

⁸ See <https://www.khmertimeskh.com/501764178/minebeamitsumi-to-start-its-fourth-factory-in-pursat-next-month/>

⁹ See <https://www.khmertimeskh.com/501755050/japanese-investors-urge-thailand-to-reopen-borders-with-cambodia/?utm>

could increase by 10–15 percent year-on-year, supported by the lifting of travel advisories and targeted promotions in neighboring markets to rebuild confidence. Inflation is expected to remain contained at around 2–3 percent, as supply from Thailand normalizes and alternative import sources continue to capture part of the market. Investor sentiment also stabilizes amid expectations of sustained peace and improved bilateral relations.

Table 1. Alternative Growth Scenarios and Key Assumptions

Scenario	Description	Key Economic Impacts / Assumptions
Baseline: Gradual Normalization	• Ceasefire holds and major checkpoints begin reopening from early 2026. • Cross-border trade and labor mobility gradually resume. • Tourism confidence improves by mid-2026.	• Real GDP growth: 4.9% (2025) to 5.0% (2026) • Remittance inflows recover by H2 2026 • Tourist arrivals rise 10–15% yoy • Investment sentiment stabilizes; no major delay in FDI projects • Inflation remains subdued around 2-3%
Adverse: Prolonged Closure	• Border reopening delayed until late 2026 • Partial restrictions on movement of goods and workers persist. • Ceasefire holds but bilateral tensions remain high.	• Real GDP growth: around 4.5-5.0% (2026) • Remittances keep going down, weighing on consumption • Tourist arrivals declines yoy, hotel and retail sectors facing slower recovery • FDI inflows decline; logistics costs increase • Inflation mildly higher due to import disruptions
Severe: Renewed Conflict	• Sporadic armed incidents re-emerge; borders remain largely closed through 2026 • Neighboring countries maintain travel advisories • Investor confidence deteriorates.	• Real GDP growth: around 3.5-4.5% (2026) • Remittances down 30%; consumption contracts sharply • Tourism receipts down 40%; near halt in Thai visitor flows • Investment and construction activity decline; some FDI projects postponed or cancelled • Inflation rises above 3% amid supply bottlenecks • Fiscal deficit widens due to higher social and security spending

Source: AMRO staff illustration and projections

19. However, under an adverse scenario where border closures persist through mid-2026, growth could slow to around 4.5 percent. Although an expanded ceasefire agreement was signed during the ASEAN Summit in Kuala Lumpur in October, no specific timeline or commitment was made regarding the reopening of border crossings, leaving considerable uncertainty over the pace of normalization. In this case, border reopening could be delayed until late 2026, with lingering restrictions on the movement of goods and workers. Remittances would likely decline further, as many migrant workers remain uncertain whether to wait for Thailand's border to reopen or to seek domestic employment opportunities, weighing on household consumption. Tourist sentiment may also remain fragile, leading to a slow recovery in hotel, restaurant, and retail activities. Meanwhile, FDI inflows could contract amid higher logistics costs, and inflation may edge up slightly due to continued import disruptions.

20. In a severe scenario involving renewed armed clashes, Cambodia's growth could fall below 4 percent. A resurgence of hostilities would likely lead to prolonged border closures throughout 2026 and heightened bilateral tensions. Remittances could drop by around 30 percent, as most returning migrant workers are unable to resume employment in Thailand. Tourist receipts could decline by more than 40 percent, as travel plans are disrupted and confidence weakens amid deteriorating relations. Inflation could rise above 3 percent, driven by supply bottlenecks in fuel, electricity, and imported goods. FDI and construction

activities would likely stall, with some investment projects postponed or cancelled, particularly those involving Thai investors. Meanwhile, fiscal pressures would increase as the government expands social assistance and security-related spending to mitigate the economic fallout.

21. It should be noted that these projections do not incorporate the potential impact of the recent U.S. sanctions on the Prince Group and its affiliated entities. Cambodia's Prince Holding Group, a major player in the country's real estate and financial services, has been sanctioned by the U.S and U.K. for its alleged role in a large-scale cryptocurrency scam on October 14.¹⁰ The sanctions could have broader implications for financial stability, credit conditions, and real-sector activities, particularly if confidence in the property and banking sectors weakens. Moreover, the risk of further U.S. actions targeting additional institutions cannot be ruled out, which could amplify downside pressures through tighter liquidity and investor caution. This issue therefore represents an additional downside risk, separate from and compounding the uncertainties associated with the Cambodia–Thailand border conflict, suggesting that the current growth projections for 2025–26 should be interpreted as reflecting only the marginal effects of the border tensions.

VI. Policy Discussions

22. The Cambodian government has already taken several measures to support affected households and stabilize local communities. Reception centers have been established at major border checkpoints to provide transportation, food, and initial assistance to returnees, while the government has organized job forums and livelihood support programs in border provinces. The Ministry of Labour and Vocational Training has also worked with development partners to expand short-term employment and vocational training opportunities under the existing Technical and Vocational Education and Training (TVET) framework. In parallel, the government has urged financial institutions to offer loan restructuring and temporary repayment relief to affected workers and their families. These immediate actions provide a foundation for broader policy efforts to sustain household income and strengthen labor-market resilience in the months ahead.

23. Given the sharp fall in remittance inflows and the large-scale return of Cambodian migrant workers from Thailand, policy support for affected households remains urgent. In the short term, targeted assistance such as cash transfers, loan restructuring, and temporary social protection can help cushion income losses for remittance-dependent families.¹¹ For returning workers who may not wish to or cannot return to Thailand soon, vocational training and skills-matching programs are essential to facilitate their reintegration into the domestic labor market. This builds on Cambodia's established TVET system, which comprises over 100 institutes nationwide providing opportunities for upskilling and reskilling. The government could further strengthen these programs, particularly by aligning training with sectors where labour demand is growing. In addition, authorities could

¹⁰ See [U.S. and U.K. Take Largest Action Ever Targeting Cybercriminal Networks in Southeast Asia | U.S. Department of the Treasury](#)

¹¹ Having said that, authorities should closely monitor the banking sector's financial soundness, as the non-performing loan ratio could be masked by ongoing loan restructuring.

incentivize domestic firms to absorb returning workers, building on the ongoing initiatives by foreign companies in Cambodia that have begun recruiting returnees from Thailand to fill local vacancies.¹²

24. Restoring traveller confidence will be crucial to mitigate the near-term losses in the tourism sector. The immediate shock stems from the border conflict and related travel advisories. Besides, broader concerns about public safety and online scams have also weighed on Cambodia's image as a travel destination. In this regard, easing bilateral tensions, together with ongoing law enforcement efforts to curb scam operations, are keys to rebuild traveller confidence. In parallel, marketing efforts targeting Chinese and domestic tourists can provide a short-term buffer. In the medium term, improving tourism infrastructure, safety standards, and digital promotion will be crucial to improve Cambodia's image as a safe and reliable destination.

25. Timely normalization of cross-border connectivity would help to boost investor confidence. Given that sizable manufacturing firms operating under the 'Thailand + 1' strategy rely on the efficient movement of intermediate goods through the Cambodia–Thailand border, prolonged closures have raised transportation costs and disrupted production schedules. Hence, diplomatic engagement and confidence-building measures to reopen major checkpoints should be prioritized to stabilize supply chains and reassure both domestic and foreign investors. In parallel, Cambodia could diversify logistics routes—including enhancing port capacity in Sihanoukville and strengthening links with Vietnam via the Bavet–Moc Bai corridor—to reduce vulnerability to future disruptions. Clear communication on the government's progress in border negotiations and trade facilitation efforts would further help increase investor sentiment and prevent relocation of production to neighboring economies.

26. The border conflict creates additional near-term government spending pressures at a time when Cambodia's post-pandemic recovery remains uneven. To cushion the immediate economic impact, the government may consider providing fiscal supports to social assistance, job creation programs for returning workers, and border provinces most affected by the disruption in trade and tourism. While such measures may temporarily widen the fiscal deficit, maintaining a clear communication of policy intent and medium-term fiscal discipline will be critical to anchor investor and market confidence. In parallel, the government could accelerate public investment projects that enhance economic resilience, including infrastructure along alternative trade routes and logistics hubs, which would both stimulate short-term demand and strengthen long-term connectivity. Coordination with development partners can also help mobilize concessional financing and technical assistance for these targeted interventions.

¹² See <https://www.khmertimeskh.com/501764180/foreign-firms-in-cambodia-recruit-thailand-returned-workers/>

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Appendix I. Major Developments in the Cambodia-Thailand Border Conflict

Date	Event
May 28, 2025	- One Cambodian soldier killed in border clash with Thai troops in Chong Bok/ Emerald Triangle area.
May 29 – Early June	- Despite bilateral military discussions on May 29, both sides repositioned troops.
June 7-8	- Thailand tightened control over the border by changing border checkpoint operating hours from 6 a.m.–10 p.m. to 8 a.m.–4 p.m. and limiting visa for Cambodian entry to 7 days (from previously 60 days). - Cambodia responded by opening the border at 9 a.m. and closing at 4 p.m. and limiting the visa for Thai entry to 7 days.
June 9	- Thailand closed the Poipet International Gate and the Stung Bot International Gate.
June 12	- Cambodia ceased importing both internet bandwidth and electricity from Thailand.
June 13	- Cambodia banned import of Thai goods at Daung International Border Crossing. - Cambodia's Ministry of Information issued an official notice to all TV stations in Cambodia on stopping the broadcasting of all types of Thai films.
June 14	- Cambodia-Thailand Sixth Joint Boundary Commission meeting held in Phnom Penh. - Prime Minister Hun Manet announced Cambodia has prepared contingency plan for a potential mass return of migrant workers from Thailand: • The Ministry of Labour and Vocational Training prepared to assist the returnees in finding employment opportunities within the country. • The Ministry of Economy and Finance was coordinating with other institutions to implement social and economic intervention packages aimed at supporting daily livelihoods for those affected. • Banking Association and the Cambodia Microfinance Association was to explore ways such as loan restructuring to ease the financial burdens of migrant workers who may be in debt with banks or microfinance institutions.
June 15	- Cambodia formally submitted four disputed zones (Ta Moan Thom Temple, Ta Moan Toch Temple, Ta Krabey Temple, and Emerald Triangle area) to the International Court of Justice (ICJ). - Thailand affirmed rejecting ICJ jurisdiction, preferring bilateral negotiation.
June 16	- President of the Senate Hun Sen called for Cambodian migrant workers in Thailand to return home, affirming that the Government was fully prepared to welcome returning workers and citizens, with job opportunities and access to technical and vocational training.
June 17	- Cambodia officially suspended all imports of Thai vegetables and fruits through its border checkpoints.
June 18	- Thailand faced significant political backlash from leaked audio recording of President of the Senate Hun Sen's phone conversation with then-Prime Minister of Thailand Paetongtarn Shinawatra.
July 24-28	- Armed clashes broke out along multiple frontier zones. Heavy weapons including artillery and rockets were deployed by both sides.
July 28	- Following mediation by Malaysia, the 2025 ASEAN Chair, the Prime Minister of Cambodia Hun Manet and the Prime Minister of Thailand Anutin Charnvirakul, met in Kuala Lumpur and agreed to a cease-fire, which took effect at midnight. The agreement marked a critical step in de-escalating the armed clashes that had intensified along multiple frontier zones earlier in July.
Post-ceasefire period	- Both sides accused each other of continued violations despite the truce; border tension remained, and some localized armed incidents and landmine explosions continued to be reported.
October 26	- At the 47th ASEAN Summit in Kuala Lumpur, the Prime Minister of Cambodia Hun Manet and the Prime Minister of Thailand Anutin Charnvirakul signed an expanded cease-fire deal, witnessed by Malaysia's Prime Minister Anwar Ibrahim and U.S. President Donald Trump.

Source: Local media, AMRO staff compilations