

Economic and Social Externalities of Interstate Conflict

A Study of the Economic and Social Fallout from the Thailand-Cambodia Conflict in 2025

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Abstract

This study, *“Economic and Social Externalities of Interstate Conflict: A Study of the Economic and Social Fallout from the Thailand-Cambodia Conflict in 2025,”* provides a broad assessment of the economic and social impacts resulting from restricted border skirmishes between Thailand and Cambodia which began in July 2025. The analysis of this study quantifies the immediate, indirect, and induced economic costs stemming from border closures, labor repatriation, and trade restrictions.

The findings indicate that economic losses are accumulating rapidly, with Thailand alone experiencing an estimated **THB 24.060 billion (USD 740.31 million) in monthly economic losses**. These losses will be broadened and deepened, economically and socially. The blunt of the impact will be especially felt by the local businesses and populations of both Thai and Cambodia along the common border.

These losses consist of direct economic impacts of **THB 16.257 billion (USD 500.21 million)** per month. The most significant losses arise from the collapsed cross-border trade, reduced output due to repatriated labor, unplanned government expenditures on security and relief, and a decline in travel and tourism revenues.

In addition, indirect and induced impacts, totaling around **THB 7.80 billion (USD 240.09 million)** per month, have intensified the overall economic disruption. Supply chain interruptions, contractions of local businesses, disruptions to foreign investment, and potential long-term changes in trade patterns and market behavior are contributing to these cascading effects, which threaten the competitiveness and resilience of affected sectors.

Projections based on current conditions suggest cumulative losses have reached **THB 93.701 billion (USD 2.88 billion)** over a period of three months, approximately from August to October 2025.

As time marches on, the losses would reach **THB 241.96 billion (USD 7.44 billion)** over one year. An important driver is the opportunity foregone from the GDP multiplier effects of the income stream, especially, from wages and remittances of the Cambodian labor

force. Moreover, the prolonged conflict will inevitably lead to the rerouting of existing and the establishment of new supply chain systems, new travel and tourist routes and destinations will be created and new investment plans and decisions will be made. All of this would incur significant unplanned expenses on the part of the relevant businesses and their supply chain. It should be noted that these costs will be foregone and cannot be retrieved. And, once the conflict has died down, any efforts to restore business operations to the *status quo ante bellum* would, over time, increase in an exponential manner.

These figures underscore the critical importance of restoring the smooth flow of goods, labor, and tourism across the shared boundary. Coordinated and proactive measures for mutual interests are essential to safeguard the livelihoods of border communities, mitigate long-term economic damage, and reinforce the confidence of investors and business operators in the economic resilience and stability of the two countries.

Immediate attention and strategic action are therefore recommended to enable an early economic recovery of the two countries and to ensure their return to sustainable growth. The urgent and efficient management of the labor market should be given priority, as the loss of income of workers affects large number of small businesses, communities and peoples on both sides of the border. This urgent step can take place without the need to wait until the boundary issues have been resolved.

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1. Introduction

After the Second World War, Thailand and Cambodia established formal diplomatic relations in 1950. Since the signing of the Paris Peace Agreement in 1992, cooperation between the two countries in all dimensions have steadily increased and the overall relations have been cordial and mutually beneficial. Nonetheless, over the decades, mainly due to historical legacy, periodic border clashes and tensions have occurred. But the incidents were minor and were quickly restrained.

The most recent border conflict between the two neighbors, however, is different. The situation quickly escalated and led to an almost full-fledged border war. And, despite the eventual cease-fire and continued dialogue and negotiation, hostile sentiments continue to simmer.

Since the outbreak of the conflict and the military clashes in July 2025, both sides have taken escalating steps to economically “punish” the other side. Closure of all border crossings has been announced. An estimated five hundred thousand Cambodian workers in Thailand have been ordered to return home. Cross-border supply chains have been disrupted. Businesses and consumer goods from Thailand in Cambodia have been boycotted. Tourism between the two countries have been completely frozen. Much of the resources of the two countries have been diverted to serve their perceived security and military needs.

This on-going situation has been assumed to incur significant economic cost to both countries. This cost will likely continue to accumulate, with increasing and accentuated impact to the overall economic growth and development of the two countries, if the situation continues to be unresolved.

There needs to be systematic study, through the use of data-driven analytics and economic impact calculation models, to be able to accurately estimate the economic cost of the on-going conflict, as well as to methodically forecast the accumulating costs and the increasing impacts on the economy and society of both countries, against the length of time.

1.1 Background

The historical sequence of border incidents and their economic and political ramifications can be summarized as follows:

Siam (Thailand) and France began the systematic demarcation of the border areas between Siam and Cambodia, based on the provisions of the Franco-Siamese Treaty of 1904. This treaty came about as a result of periodic territorial disputes between France and Siam. The said Treaty established a Mixed Commission of officers from both Siam and France to oversee the physical demarcation of the boundary lines between the two countries. The process was to begin within two months after the signing of the Treaty.

The commission met from January 1904 until January 1907. A

subsequent treaty, the Franco-Siamese Treaty of 1907, further defined the borders and led to the cessation of certain Siamese territories to France in exchange for others. While the treaties provided the framework for the border, the actual demarcation process gave rise to new disputes, the most notable being the Preah Vihear Temple and its surrounding areas, which have continued to the present day.

Through the years, however, aside from the Preah Vihear Temple incident in the early 1960s, other disputes along the Franco-

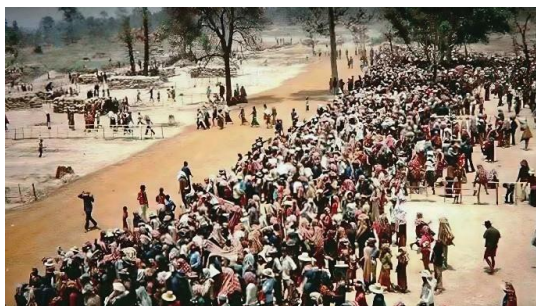
Siam border were deemed “low level,” as the government on both sides had shown restraint and had chosen to resolve their differences through peaceful means.

The on-going situation is incurring significant economic cost to both countries. This cost will likely continue to accumulate, with increasing impact to the overall economic growth and development of the two countries.

From 1975 onwards, due to the political situation in Cambodia, an increasing number of Cambodian citizens began to flee

across the border to seek refuge in Thailand. The situation greatly intensified from 1979 onwards, following the fall of the Khmer Rouge regime. Official statistics showed that between late 1979 to 1980, approximately 750,000 to one million Cambodians crossed the border into Thailand, mostly on foot. Eventually, with the support from various governments and international organizations, nine camps were established along the Thai side of the border to provide food, medical care and shelter for the displaced population.

These camps continued to operate for the next 13 years, officially closing down in 1993, almost two years after the signing of the Paris Peace Agreement in October 1991. At its peak, the camps provided shelter to an estimated 360,000 displaced persons. In March 1980, the population at the Khao-I-Dang camp, the largest of all nine camps, alone reached a total of over 160,000 people. In 1993, during the repatriation operation leading up to the Cambodian national elections in that same year, over 360,000 displaced persons were sent back into Cambodia.



Cambodian refugees crossing into Thailand between 1979 - 1993

After the signing of the Paris Peace Agreement in 1991 and the reconstruction of Cambodia that followed, Thailand and Cambodia maintained a close and cordial relationship. The Engineering Corp of the Royal Thai Army, involving 700 military personnel, was included in the United Nations Transitional Authority in Cambodia (UNTAC) and played an instrumental role in rebuilding highways, bridges and clearance of landmines in Cambodia. Thai provinces bordering Cambodia also served as key logistics hubs for the transport of construction materials, food and consumer goods into Cambodia.

The Thai government also help arrange the return of King Sihanouk to Phnom Penh in November 1991, after thirteen years of absence. Even the white Chevrolet convertible that he rode on was flew in from Bangkok especially for such occasion.

This period of friendship and cooperation came to an abrupt end in January 2003 when nationalistic sentiments in Cambodia culminated in the attack and burning of the Royal Thai Embassy in Phnom Penh, over an allegedly insulting remark by a Thai television actress. At which point, all border checkpoints were temporarily closed for the first time since the two countries re-established their diplomatic relations following the signing of the Paris Peace Agreement in October 1991. The border was eventually fully re-opened in March 2003, after the Cambodian government paid a restitution of **USD 6 million** for the destruction of the Royal Thai Embassy.



Destruction of the Thai Embassy in Phnom Penh in January 2003

Photo Credit: Reuters

In July 2008, at the request of the Cambodian government, the United Nations Educational, Scientific and Cultural Organization (UNESCO) inscribed the Temple of Preah Vihear on the UNESCO World Heritage List. This has sparked renewed confrontation and clashes between the armed forces of the two countries between 2008 and 2011, as the authorities of both countries claimed sovereignty over areas surrounding the site of the Temple. The multiple clashes during the period resulted in the death and injury of dozens of military

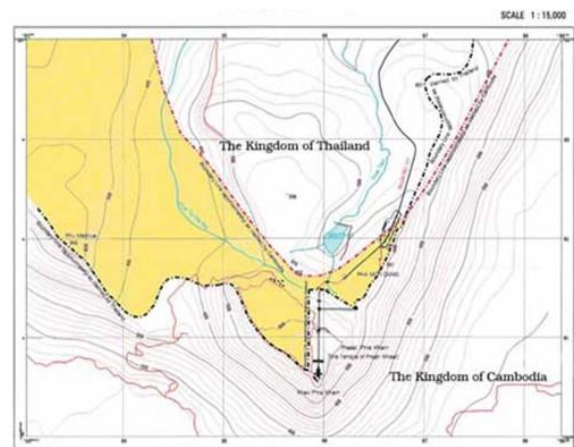
personnel on both sides, and thousands of villagers were displaced from their homes.

In 2013, at the filing by Cambodia, the International Court of Justice, once again considered the case of the Preah Vihear Temple, to clarify the territorial scope of the 1962 Judgment. The Court unanimously reaffirmed the 1962 Judgment and ruled further that Cambodia has sovereignty over the whole territory of the promontory (immediate areas) of the Temple, and that Thai authorities had to withdraw from such territories. The Court, however, explicitly stated that its ruling on the promontory did not extend to the final, binding delimitation of the boundary between Thailand and Cambodia in the area, and that this matter remained an issue for the two countries to resolve.

Temple of Preah Vihear



Aerial view of Preah Vihear Temple area



Unilateral Map of Claimed Areas prepared by Thailand

In July 2025, following a series of month-long escalating incidents between the authorities and tourists of both sides at the site of the Ta Muen Thom Temple, fighting broke out between Thai and Cambodian armed forces. The fighting continued for the next five days, until a cease-fired agreement was reached on 28 July.

The fighting and resulting casualties eventually led to the closure of all land and maritime crossings between Thailand and Cambodia. But, despite the cease-fire agreement, there continued to be reports of sporadic and limited clashes and exchanges of gun fire along many areas of the Thai-Cambodian border. Some of the exchanges of gun fire were as far away as almost 600 hundred kilometers from the Ta Muen Thom Temple (the distance between Surin province to Trat Province).



Surrounding Areas of Ta Muen Thom Temple



Ta Muen Thom Temple

This study aims to provide a comprehensive baseline by quantifying the scale, layers and sectoral distribution of economic impacts, identifying and recommending the most effective policy levers, that would enable evidence-based actions to mitigate further losses. The analysis draws on macroeconomic data from both Thailand and Cambodia, as well as insights from policymakers, provincial governors, business conglomerate executives, local businesses and citizens. The study evaluates the “Cost of War” in terms of negative impacts on the GDP, incorporating both direct and indirect impacts, including disruptions to bilateral trade, tourism, foreign direct investment (FDI), labor markets, opportunity costs (e.g., brand boycotts), and increased fiscal pressures due to unplanned and unforeseen expenses, such as additional military and security expenditures. Regional economic effects, such as disruptions on business operations, supply chain management and community spending, are also considered. Social consequences related to the conflict are assessed through survey data.

Negative impacts on foreign businesses relying on cross-border operations between Thailand and Cambodia will also be included in the calculations.

Finally, this research would attempt to propose comprehensive conflict resolution strategies, including Joint Action Plans, Thailand-specific and Cambodia-specific Action Plans, as well as preventive measures designed to safeguard the livelihood of communities and citizens sharing the border and enhance their social, economic, and political resilience. These recommendations would aim to strengthen

the overall long-term politico-economic and social sustainability and stability of Thailand and Cambodia and their border population.

1.2. Research Objectives

This paper aims to conduct an Economic Impact Study, estimating the economic costs of the 2025 border conflict between Thailand and Cambodia, especially between July – September 2025. Assuming that the longer the conflict situation drags on, the more significant the economic damage will befall on both Thai and Cambodia at the international, regional, national and community levels. Accordingly, the research aims to:

1.2.1 **Assess the direct and indirect economic costs** of the most recent border conflict between Thailand and Cambodia, with an aim to developing a basic but reliable economic model for providing an estimate of such costs and applying the model to similar situations in the future;

1.2.2 **Evaluate short-term and long-term impacts** on both the economies of Thailand and Cambodia at the macroeconomic, sectoral, regional and local levels; and

1.2.3 **Provide policy recommendations** to mitigate and, if possible, resolve the situation and prevent future border conflicts between the two countries.

This study aims to conduct an Economic Impact Study, estimating the economic costs of the 2025 border conflict between Thailand and Cambodia, especially between July – September 2025.

The study attempts to provide an estimate of the “Cost of War” between Thailand and Cambodia in this particular conflict to underscore the urgent need for conflict resolution and peaceful solutions. The report intends to call to attention top policy-makers, practitioners, and scholars on both sides of the border, and to urge them to focus on sustainable peaceful solutions to this conflict. This study believes that top priority should be given to ensuring the well-being of the population in both countries through uninterrupted trade and economic development. This would require an early and immediate resumption of all cross-border activities and the return to normalcy in their relations at all levels, while attempting to arrive at a long-term modality, whereby both sides can peacefully and systematically resolve their conflicts before they escalate.

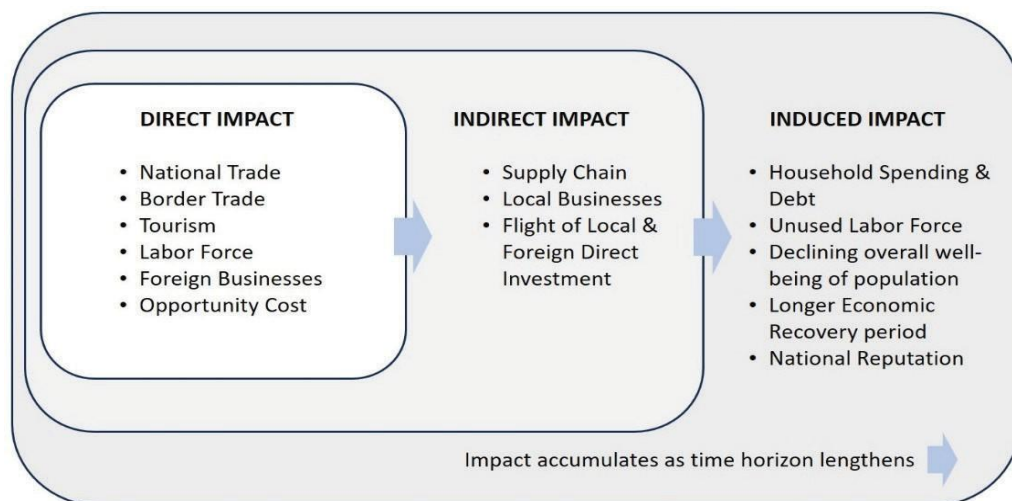
1.3 Research Methodology

To ensure analytical rigor and minimalized bias, this study has made an effort to acquire facts and figures from both Thai and Cambodian primary sources. The objective of this approach is to enable a more in-depth and more balanced understanding of the socio-economic impacts of the 2025 border conflict from the perspectives of both sides. The findings, analyses, and recommendations are mutually derived, making sure that the facts, figures, statistics and views from both sides are as accurate as possible and are fully reflected in this study, while utmost effort is made to ensure that undue biases and misperceptions are being filtered out.

A conceptual framework in Figure [1] guides the analysis on capturing **direct economic impact**: the immediate losses or gains caused by the war (border closure, war zone declaration, damage) on tangible economic activities such as trade, tourism, and employment; **indirect economic impact**: secondary effects on the supply chain, production networks, direct investment and related sectors caused by war-induced disruptions; and **induced economic impacts**: Longer-term effects caused by changes in household income, consumption and labor markets, triggered by war, through a combination of economic modeling techniques and empirical estimations.

Top priority should be given to ensuring the well-being of the population in both countries through uninterrupted trade and economic development.

Figure 1: Economic Impact Study Conceptual Framework



1.3.1 Data Sources: The study employs a mixed-methods approach, integrating primary and secondary research

1.3.1.1 Secondary Data: Macroeconomic and trade statistics from reputable official sources, including UN Comtrade Statistics, World Bank, Thailand Trade Statistics (Ministry of Commerce), Bank of Thailand, National Bank of Cambodia and Cambodia Ministry of Commerce, as well as published studies and economic forecasts relevant to cross-border trade and conflict-related impacts.

1.3.1.2 Primary Data: Structured surveys and in-depth interviews with policymakers, provincial governors, business leaders, affected households, and community representatives. Growth, multipliers, sectoral dependency indicators, and household-level consumption patterns to calibrate the economic impact model are retrieved from the interview.

1.3.2 Economic Impact Estimation: The study applies a multi-layered economic estimation of the direct, indirect, and induced impacts of the prolonged border closure on trade, investment, tourism, labor markets, and household welfare.

1.3.3 Forecasting and Scenario Analysis: The study integrates macroeconomic projections with shock simulations to evaluate short-term, medium-term, and long-term impacts under different policy and conflict-resolution scenarios:

1.3.3.1 Baseline Scenario: No conflict economic forecast for 2025.

1.3.3.2 Prolonged Disruption Scenario: Continued checkpoint closures beyond six months, causing deeper contraction in bilateral trade and GDP.

1.4 Value and Benefits

This report intends to underscore how its findings can support policymakers, businesses, and investors in making informed decisions and managing risks effectively. Drawing upon available information, data and statistics from both sides of the border, it examines the social and economic impacts of the conflict on both countries. The qualitative insights derived from the study aim to provide information that can be useful for joint policy development, future strategic planning, as well as joint efforts to revive the economy of both Thailand and Cambodia. Key Deliverables of this study would include:

1.4.1 A Report on Economic and Social Impacts:

1.4.1.1 Direct economic impacts — covering trade, tourism, labor, and opportunity costs resulting from the conflict.

1.4.1.2 Indirect economic impacts — analyzing disruptions

to supply chains (e.g., materials, logistics, distributor networks), foreign direct investment, and regional trade.

1.4.1.3 Induced economic and social impacts — evaluating long-term effects on household consumption, labor markets, and broader social dynamics triggered by the war.

1.4.2 Policy Recommendations: This study aims to propose a set of practical and actionable recommendations, including **Joint Action Plans** between Thailand and Cambodia. In addition to economic and international relations policy, the findings offer insightful suggestions for civil society organizations and other non-state actors. Although the current conflict is rooted in state-level disputes, the research highlights the significant role of public opinion in shaping the understanding and narrative of the extent of economic losses in both countries. Notably, the recommendations also incorporate cognitive warfare countermeasures to address disinformation and perception management.

The study expects to reveal how the economic and social externalities of interstate conflict (costs of war) are far exceeding initial expectations, primarily due to the profound indirect and induced impacts on both economies. While Thailand and Cambodia have faced border tensions on at least three prior occasions, the 2025 conflict has resulted in the most severe economic and social repercussions to date. This study strongly urges both governments to take immediate, coordinated actions, as the ongoing impacts are economically and socially unsustainable.

2 Impact on the Economy of Thailand

2.1 Current Situation

2.1.1. Recent border conflict developments

Historical Border Crisis: Between 2008 and 2011, armed clashes along the Thailand–Cambodia border resulted in at least 34 fatalities, including both military personnel and civilians on both sides (The Standard, 2025). The dispute primarily stemmed from competing territorial claims around the Preah Vihear Temple. Tensions began to de-escalate following the International Court of Justice’s (ICJ) reinterpretation of its 1962 ruling on 11 November 2013, which the ICJ instructed the two countries to resolve their disagreements over the disputed areas through bilateral negotiation mechanisms.

The qualitative insights derived from the study aim to provide information that can be useful for joint efforts to revive the economy of both Thailand and Cambodia.

In response, both governments pursued diplomatic engagement through the Thailand- Cambodia Joint Boundary Commission (JBC), Thailand-Cambodia General Border Committee (GBC) and Thailand- Cambodia Regional Border Committee (RBC), aiming to promote peaceful co-utilization of contested areas. Over the following decade, relative stability returned to the border, allowing local communities to resume normal economic and social activities.

Escalation of the 2025 Border Crisis: The situation deteriorated again on 13 February 2025 when a group of Cambodian tourists, led by local Cambodian officials, gathered to sing their national anthem at the disputed Ta Muen Thom Temple. Thai local officials and tourists present at the site viewed such action as a symbolic territorial assertion and immediately requested such group of tourists to refrain from doing so. This incident and a series of smaller incidents that followed had reignited nationalist tension at the local level.

The conflict deepened on 28 February 2025, when the Sala Tri Muk Pavilion—a symbolic site representing Thai, Lao, and Cambodian unity—was damaged by fire, reportedly triggered by a dispute involving Thai soldiers prohibiting patriotic songs at the contested site (Siam Media, 2025; Siamrath, 2025). From March to May 2025, there were reports that the Cambodian military had actively altered border terrains for military purposes, deploying additional troops and armaments near the border frontier of the contested area. (BBC, 2025; Thai PBS, 2025; Royal Thai Government, 2025; PRD, 2025).

Clashes and Diplomatic Fallout: On 28 May 2025, Thai and Cambodian forces engaged in a 10-minute armed confrontation near the Chong Bok area in the so-called Emerald Triangle, a mountain pass through the Dangrek Range, which forms much of the natural boundary between Cambodia, Laos and Thailand, before agreeing to a temporary ceasefire through local military negotiation. The following day, senior army commanders from both countries convened under the JBC mechanism to de-escalate tensions. However, on 4 June 2025, Cambodia announced its intention to refer the armed clash and related disputes over Ta Muen Thom, Ta Muen Tot, and Ta Kwai Temples to the International Court of Justice (ICJ), prompting heightened bilateral tensions.

Subsequently, on 7 June 2025, Thailand began restricting operational hours at several major border checkpoints. By 23 June 2025, the Thai government ordered a complete closure of all border crossings, severely disrupting cross-border trade and labor flows. Throughout July 2025, there were several reports on illegal mine-laying incursions by foreign troops on the Thai side of the border, resulting in injuries to Thai soldiers. Simultaneously, Cambodian social media campaigns showcased symbolic nationalist activities at Ta Kwai Temple, Ta Muen Temple, and other contested sites, exacerbating public anger and bilateral mistrust.

On 23 July 2025, Thailand officially downgraded its diplomatic relations with Cambodia, recalling its ambassador from Phnom Penh and requesting Cambodia's envoy to leave Bangkok (The Better, 2025). The crisis escalated further on 24 July 2025, when Cambodian forces opened fire at the Ta Muen Thom Temple area, provoking a Thai military response. Hostilities spread to multiple flashpoints, including Ta Kwai Temple and Chong Chom in Surin Province, Preah Vihear Temple area in Si Sa Ket Province, Chong Bok and Chong An Ma in Ubon Ratchathani Province.

The clashes persisted for five consecutive days, leading to Civilian and military casualties on both sides, Significant property damage and mass evacuation of local populations from frontline zones. It was reported that, during the period, as many as 130,000 civilians were evacuated on the Thai side (Royal Thai Army and Ministry of Public Health of Thailand, July 2025), while over 170,000 were evacuated on the Cambodian side (Cambodia National Committee for Disaster Management (NCDM, July 2025).

Mediation and Ceasefire Agreement: Stabilization efforts began when Malaysian Prime Minister Anwar Ibrahim, acting in his capacity as Chairman of ASEAN, offered to mediate. On 28 July 2025, Thailand and Cambodia agreed to an unconditional ceasefire, effective midnight of 29 July 2025. Both nations committed to using bilateral mechanisms, specifically the Joint Border Commission (JBC) and the General Border Committee (GBC), to resolve territorial and security disputes moving forward. Despite the ceasefire agreement, the situation along the Thai-Cambodian border areas remained volatile and border crossings remain officially closed, with only limited humanitarian exemptions granted (Bangkokbiznews, 2025; PRD, 2025; Today, 2025)

2.1.2 Thailand-Cambodia trade overview prior to the conflict

In 2024, Thailand's gross domestic product (GDP) stood at **THB 18.58 trillion (USD 571.69 billion)** (BOT, 2025; ThaiPublica, 2025). Bilateral trade between Thailand and Cambodia amounted to **THB 367.23 billion (USD 11.29 billion)**, accounting for approximately 2% of Thailand's GDP (Trade Report MOC, 2025). Of such total value, 48% or **THB 174.53 billion (USD 5.37 billion)** is contribution from border trade between the two countries (ITD, 2025).

By 2025, Thailand was Cambodia's fourth-largest trading partner (Khmer Times, 2025), while Cambodia ranked as Thailand's 11th-largest export market. During the first seven months of 2025, bilateral trade reached **THB 214.69 billion (USD 6.60 billion)**, comprising **THB 188.26 billion (USD 5.79 billion)** in Thai exports and **THB 26.43 billion (USD 813.23 million)** in Cambodian imports (Trade Report MOC, 2025). Thailand has consistently maintained a trade surplus with Cambodia since 2002 as shown in Figure [2]

Figure 2: Trade between Thailand and Cambodia



Top five export items are Gold, Oil and Gas, Sugar, Vehicles and Farm machinery (see Figure 3 and 4). These items accounts for 65% of total exports to Cambodia. Gold export to Cambodia jump to over USD 3 billion in 2024. Most of the export of gold went to Australia and Singapore. However, its pattern is uncertain. Except for Sugar, there is a decline in other 3 items.

Figure 3: Thailand's Top 5 Export Items to Cambodia (2014-2024)

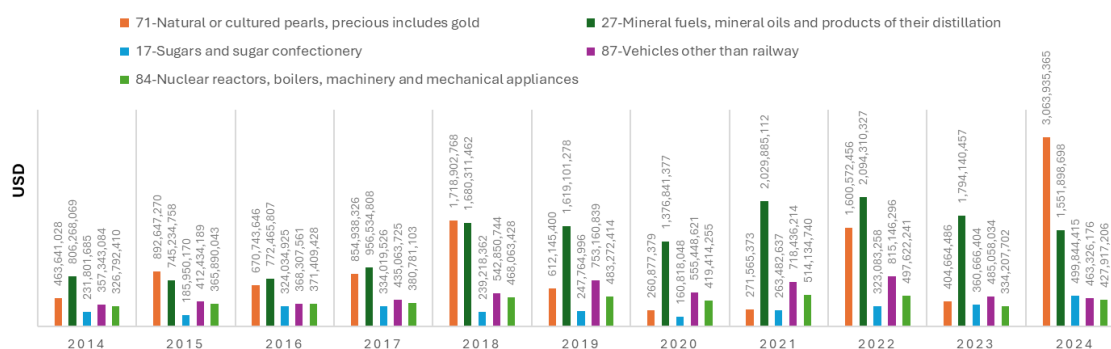
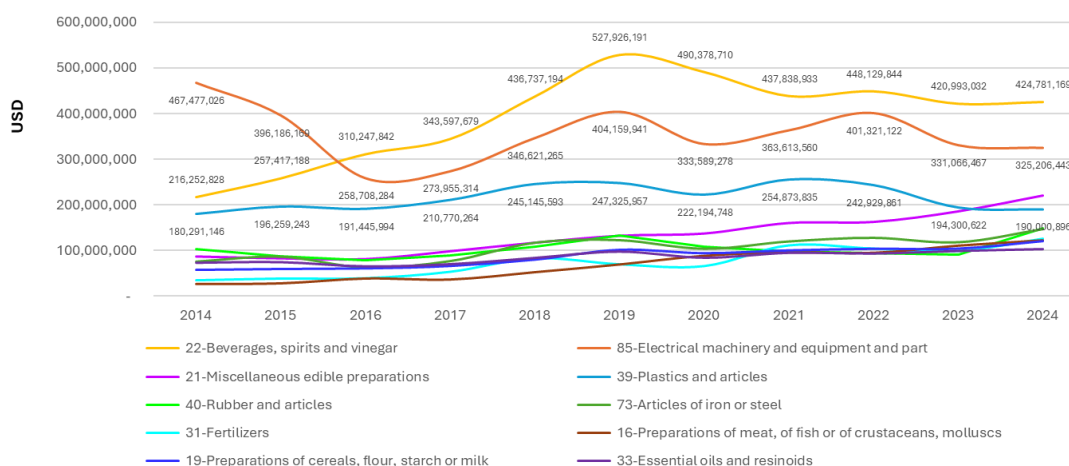


Figure 4: Thailand's 6th-15th Export Items to Cambodia (2014-2024)

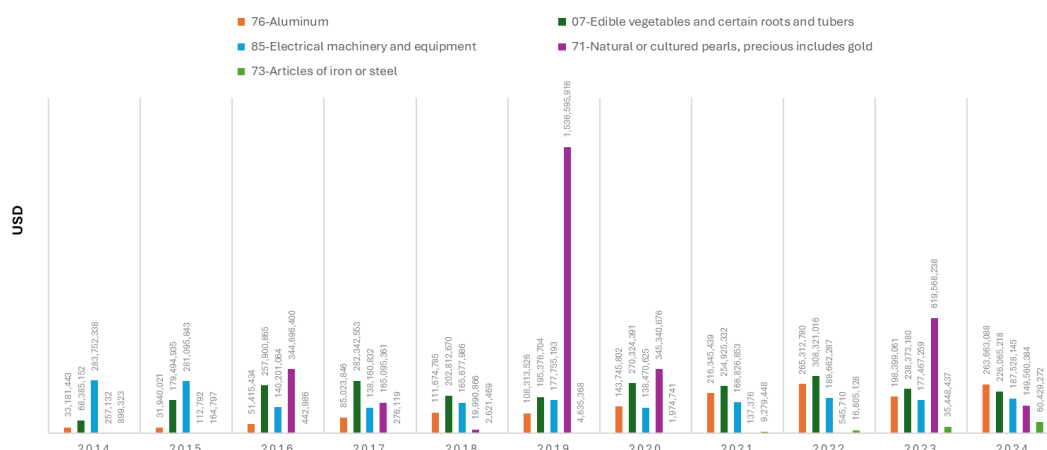


Source: Trademaps

The next 10 export items are interesting. They are daily necessities, e.g., #9. Plastic products, #10. toiletries, #14. Salted fishes and #15. Pasta and cooking fours. There is an increasing trend in most of these items which suggests an improvement in living conditions.

For import side, the Top five imports from Cambodia are Scrap aluminum, Moniac, Cables, Gold and Steel pipes. (Figure 5). Aside from gold, which also fluctuate widely because of its speculative trade and may not have any direct impact of the real sector of the economy. Most other imports are inputs for manufacturing.

Figure 5: Thailand's Top 5 Imports from Cambodia (2014-2024)



Source: Thailand's Trade Statistics Database, MOC

Border trade with Cambodia is more important economic activities between the two countries. Aside from the territorial disputed area, the local communities along the border conducts their daily life and economic activities almost seamlessly, as they have done for centuries. Officially, in 2024, the value of Thai-Cambodian border trade was at **THB 174.5 billion (USD 5.36 billion)**, accounting for 47.58% of Thailand-Cambodia total trade, and the border trade alone was growing at an impressive rate of 7.9% YoY. As for Pre-conflict period (Jan– May 2025), the value of border trade totaled **THB 80.72 billion (USD 2.48 billion)** (+11.2% YoY), with exports of **THB 63.08 billion (USD 1.94 billion)** (+9% YoY) and imports of **THB 17.65 billion (USD 534.07 million)** (+20% YoY). From these numbers, Thailand's trade surplus stood at **THB 45.43 billion (USD 1.39 billion)**.

In 2024, the value of Thai-Cambodian border trade was at THB 174.5 billion (USD 5.36 billion), or 47.58% of Thailand-Cambodia total trade, and was growing at 7.9% YoY.

2.2 Direct Economic Impact

2.2.1 Impact on border trade

Border trade is among the most severely affected sectors due to checkpoint closures. In May 2025 alone, the value of border trade was at **THB 16.11 billion (USD 495.69 million)**, comprising **THB 12.85 billion (USD 395.38 million)** in exports and **THB 3.26 billion (USD 100.30 million)** in imports, resulting in a trade surplus for Thailand at **THB 9.60 billion (USD 295.38 million)**. In June 2025, however, trade between the two countries fell sharply to **THB 10.91 billion (USD 335.69 million)**, with exports down to **THB 8.96 billion (USD 275.69 million)**. This was the result of Cambodia's suspension of Thai electricity imports and Thailand's checkpoint restrictions which began on 7 June 2025.

7 June 2025, Thailand began restricting operational hours at several major border checkpoints. By 23 June 2025, the government ordered a complete closure of all border crossings.

In July 2025 After the complete closure of border crossings on 23 June 2025, border trade collapsed by nearly 100%, dropping to just **THB 376 million (USD 11.56 million)**, with exports plunging to **THB 370 million (USD 11.38 million)** as shown in Table [1] (Thai Publica, 2025; Commerce News, 2025; DFT, 2025; Bangkokbiz, 2025). Based on recent statistics, the border trade is valued at approximately **THB 16.145 billion (USD 496.76 million)** per month. Therefore, if the complete closure of all border checkpoints continues, it can be projected that the border trade value will experience a monthly loss of approximately **THB 16.145 billion (USD 496.76 million)**.

Table 1: Thailand - Cambodia Border Trade Value

Month	Trade Value (Mn. Baht)	Export Value (Mn. Baht)	Import Value (Mn. Baht)
Jan – May 2025	80,723	63,078	17,645
May 2025	16,110	12,852	3,258
June 2025	10,908	8,961	1,947
July 2025	376	370	6

As of September 2025, all 18 Thailand-Cambodia checkpoints across seven provinces bordering Cambodia — Trat, Chanthaburi, Sa Kaeo, Buri Ram, Surin, Si Sa Ket, and Ubon Ratchathani — remain closed, encompassing 8 permanent crossings, 9 temporary trade checkpoints, and 1 tourism checkpoint.



Aranyaprathet/Poipet Crossing
Photo Credit: Thaiembassy.com

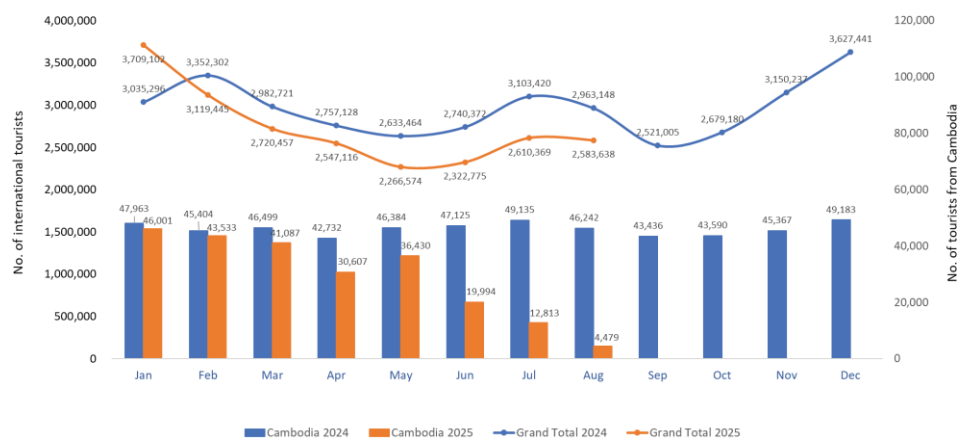


Ban Laem/Daun Lem Crossing
Photo Credit: Nation Group

2.2.2 Impact on tourism

The comprehensive closure of all land border checkpoints between Thailand and Cambodia has effectively restricted cross-border tourist movements. Nevertheless, air services between the two countries have remained operational as scheduled, with routes from Phnom Penh–Bangkok and Siem Reap–Bangkok together operating 116 flights per week. In June 2025, the number of Cambodian tourists entering Thailand declined by 48%, to only 14,758 arrivals, nearly half of whom traveled by air. This contraction resulted in an average passenger load factor of only 70% on inbound flights from Cambodia, such as those operated by Thai AirAsia—lower than the 70–80% average recorded during the first five months of the year. By contrast, outbound flights from Bangkok to Cambodia have remained nearly fully booked, with load factors of 90–100% following the implementation of the border checkpoint closure measures, as illustrated in Figure [3]. (DIPT, 2025; MOTS, 2025).

Figure 3: International Tourists Arrival to Thailand 2024-2025



Source: Ministry of Tourism and Sports

Although Cambodian tourists account for only around 1% of all foreign tourist arrivals to Thailand in 2025—down from 2% in 2024—the

economic significance remains noteworthy. Prior to the escalation of border tensions (January–May 2025), Cambodian tourists contributed an estimated **THB 1.496 billion (USD 46.03 million)** per month in tourism receipts, based on the average expenditure per visitor in 2024 as shown in Table [2]. Moreover, the clashes have generated heightened concerns among international tourists. These concerns became more pronounced from July 2025 onward, when the number of foreign arrivals declined by 18% year-on-year. Forward bookings to Thailand for August 2025, as of July 29, 2025, also showed early signs of contraction, down by 3% compared to the previous year. Statistically, each 1% decline in international tourist arrivals translates into an average revenue loss of approximately **THB 1.304 billion (USD 40.12 million)** per month (Matichon, 2025; MOTS, 2025).

Table 2: Number of Cambodian Tourists

Month	No. of Cambodian Tourists	Total Number of Tourists
Jan – May 2025	197,658	14,362,694
May 2025	36,430	2,266,574
June 2025	19,994	2,322,775
July 2025	12,813	2,610,369
August 2025	4,479	2,583,638
Avg spending/person 2024	THB 37,852	THB 45,389

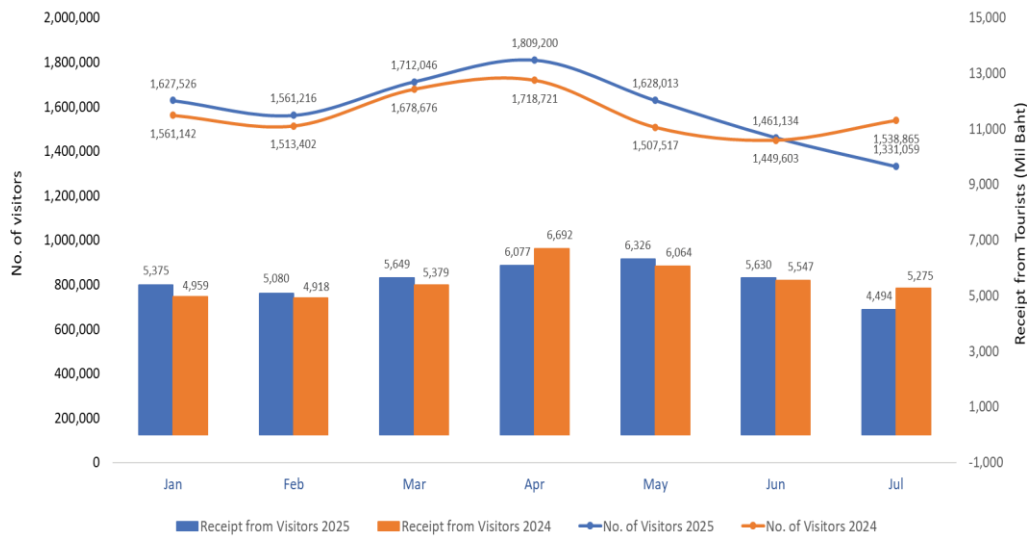
Tourism losses in the seven provinces along the Thai Cambodian border — namely Ubon Ratchathani, Surin, Si Sa Ket, Buri Ram, Sa Kaeo, Trat, and Chanthaburi—have been adversely affected by the conflict, as illustrated in Table [3]. The number of tourists began to decline significantly from May 2025 onward, averaging a month- on-month contraction of 10%. The impact was most pronounced in July 2025 after full border closer, when total visitor arrivals fell by 14% year-on-year (YoY), while tourism revenue decreased by 15% YoY. Visitor-generated income exhibited an accelerating decline of 11% in June and 20% in July, amounting to as much as **THB 1.136 billion (USD 34.95 million)**, as shown in Figure [6].

Each 1% decline in international tourist arrivals translates into an average revenue loss of approximately THB 1.304 billion (USD 40.12 million) per month

Table 3: Receipt from Visitors

Provinces	No. of Visitors				Receipt from Visitors (Million Baht)			
	Jan-May	May	June	July	Jan-May	May	June	July
Chanthaburi	1,682,834	419,195	431,259	389,315	7,322	2,291.74	2,158.59	1,448.92
Trat	1,099,805	230,487	179,665	149,085	8,865	1,834.48	1,498.80	1,178.21
Sa Kaeo	663,964	127,483	94,667	82,701	2,110	410.05	295.35	255.14
Buriram	1,658,030	304,502	303,719	287,447	3,909	634	633	621
Si Sa Ket	479,290	98,161	96,338	88,906	702	132	133	126
Surin	590,810	109,442	105,574	96,130	1,168	206	206	190
Ubon Ratchathani	2,163,268	338,743	249,912	237,475	4,432	818	704	675
7 Provinces	8,338,001	1,628,013	1,461,134	1,331,059	28,508	6,326	5,630	4,494

Figure 6: Numbers of visitors to 7 provinces 2024-2025



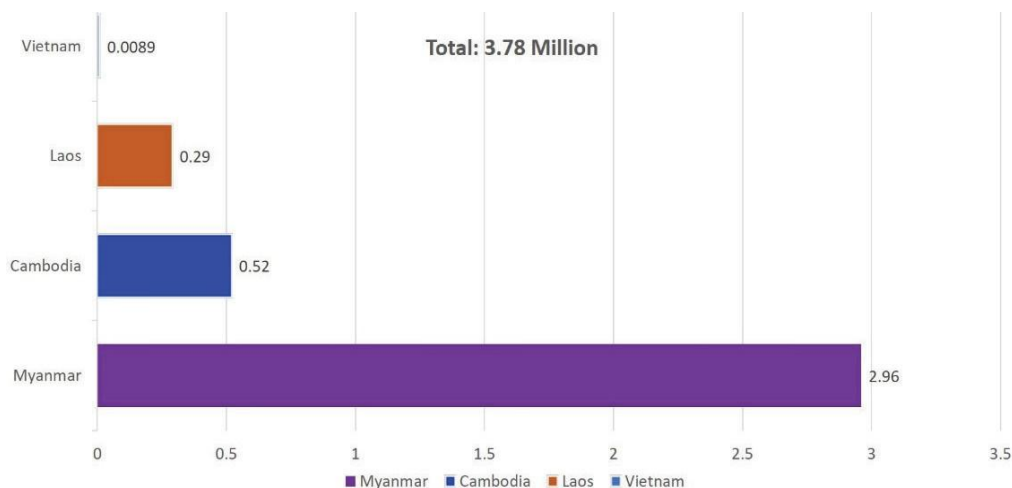
Source: Ministry of Tourism and Sports

2.2.3 Impact on labor shortages

According to the latest data from the Thai Ministry of Labour, as of May 2025 there were approximately 520,518 legally registered Cambodian migrant workers in Thailand, as shown in Table [4] (DOE, 2025). Cambodian workers account for about 13% of all foreign workers in Thailand (4,064,810 in June 2025) as shown in Figure [5]. When compared to the total labour force, Cambodian workers represent roughly 1.3% of Thailand's total workforce (40.36 million people) (MOL, 2025).

The complete withdrawal of Cambodian labor from the Thai labor market could translate into an estimated THB 19.85 billion (USD 610.76 million) in monthly economic losses.

Figure 5: CLMV Workers in Thailand (July 2025)



This number does not account for illegal workers which are believed to be roughly of similar number, if not higher. The shortage of labor has directly affected production capacity across several sectors. For instance, Pan Asia Footwear Public Company Limited reported that the escalation of the Thai–Cambodian conflict, including border clashes, led to the recall of roughly 70% of Cambodian workers, causing the company’s footwear production to decline by 20–30% (Bangkokbiznews, 2025). This disruption has broader implications for Thailand’s Gross Domestic Product (GDP). A rough estimation of the economic loss resulting from the withdrawal of Cambodian workers can be derived by calculating the GDP contribution per worker. Based on 2024 data, Thailand’s GDP of **THB 18.58 trillion (USD 571.69 billion)**, divided by 40.6 million workers, yields an approximate average output of **THB 457,635 (USD 14,081.07)** per worker per year. Therefore, the absence of Cambodian labor could translate into an estimated **THB 19.85 billion (USD 610.76 million)** in monthly economic losses, assuming a complete withdrawal of Cambodian workers from the Thai labor market.

However, Cambodian authorities estimated that there are approximately 1.2 million Cambodian workers in Thailand, who remit between **THB 40–65 billion (USD 1.23 - 2.0 billion)** annually to Cambodia (Theo Courant, 2025). Therefore, if the above figures are used as reference and, if the news report that, between September and October 2025, the border conflict has resulted in the repatriation of over 910,000 Cambodian workers (ThaiPBS, 2025) is accurate, it can be assumed that the economic impact, especially at the grassroots level, both at the border provinces of Thailand and Cambodia, can be quite significant. This is because the loss of workers and jobs in Thailand would directly impact the economic well-being and spending power of the families of Cambodian workers in Cambodia, which, in turn, would impact local Thai and Cambodian small businesses along the border.

Table 4: Cambodian Workers in Thailand

Labor type	Description	Number (Persons)	Province of residence (Persons)
1. Aliens under Section 59(General Category)	Persons who are permitted to temporarily reside in the Kingdom under the Immigration Act	702	Bangkok: 348 persons Province: 318 persons
2. Aliens under Section 59(Imported under MoU)	Those who come to work under agreements between the Thai government and partner countries	182,963	Bangkok: 38,222 persons Province: 144,741 persons
3. Aliens under Section 62(Investment Promotion Category)	Those who come to work in Thailand under the Investment Promotion Act	89	Bangkok: 82 persons Province: 7 persons
4. Aliens under Section 64	Those who come to work along the border on a day-trip basis or temporarily on a seasonal basis	33,055	Central Region: 32,292 persons Northeastern Region: 763 persons
5. Aliens under Section 63/2	Workers permitted to temporarily reside and work in the Kingdom in accordance with Cabinet resolutions.		
	5.1 Those whose permits were renewed in accordance with Cabinet resolutions of September 24, 2024, and February 4, 2025.	195,549	Bangkok: 34,607 persons Province: 125,390 persons On-process: 35,552 persons
	5.2 Persons whose registration status is not legal according to the Cabinet Resolution of 24 September 2024	108,160	Bangkok: 24,391 persons Province: 83,769 persons
		520,518	

As of June 2025, the total number of foreign workers legally permitted to work in Thailand was 4,064,810 persons (DOE, 2025), of which 520,518 were Cambodian. The industrial sectors employing the largest share of Cambodian workers are construction (approximately 33%), manufacturing (22%), wholesale and retail trade and repair of motor vehicles and motorcycles (14%), agriculture, hunting, and forestry (12%), and community, social, and other personal services

(10%). Cambodian workers are working in various sectors: about 33% is in construction, about 30% is in agriculture and repair services and the remaining 37% are in general services. The construction worker earns up to THB 700-800 per day. While the general services can earn THB 300-350 baht/day. The agriculture and repair services earn the minimum wage of THB 400 per day. Therefore, it is assumed that the earning is **THB 400 per day**.

Consequently, employers are required to recruit replacement labor. The construction sector has estimated the impact of replacing Cambodian workers with other nationalities, noting that labor costs increase. L.P.P. Property Management Co., Ltd. reported that the absence of Cambodian labor has led to a 15–20% increase in labor costs relative to their normal wage. Alternative labor sources—such as Thai agricultural workers or foreign workers from Sri Lanka, Laos, or Myanmar—cannot fully substitute for Cambodian workers due to skill mismatches, higher wages, and increased operational costs (ThaiPBS, 2025).

If 900,000 Cambodian workers were to leave Thailand, their wages foregone will be THB 10.92 billion (USD 336 million). The employer will have to offer higher wages for their replacement. The wage increases by about 12.5%. The cost increase will be **THB 1.35 billion (USD 41.54 million)**.

2.2.4 Cost of military operations

Military Expenditure on Armaments:

According to estimates by Defence Security Asia (2025), the operational cost of a JAS 39 Gripen fighter jet is approximately **USD 4,000–4,700 (THB 130,000 –152,750)** per flight hour. The Royal Thai Air Force currently maintains 12 Gripen aircraft, each valued at approximately **THB 2.8–3.3 billion (USD 0.086 – 0.10 billion)** (Seante, 2025). In comparison, Aviacy Online (2025) estimates the operational cost of an F-16 fighter jet at around **USD 8,000 (THB 260,000)** per flight hour (Bangkok Post, 2025). Thailand operates an estimated 30–35 F-16 aircraft, each priced between **THB 1.0–2.4 billion (USD 0.030 – 0.073)** (Seante, 2025). In addition, firearm-related expenditures are estimated at **THB 30–70 (USD 0.92 – 2.15)** per round, depending on weapon type (TravelDudes, 2025).



RTAF F-16



RTAF - JAS 39 Gripen

Notably, on 24 July 2025, the Royal Thai Air Force deployed six F- 16 fighters in response to Cambodian attacks near Chong An Ma, Ubon Ratchathani (ThaiPublica, 2025). On 26 July 2025, two F-16s and two Gripen jets were deployed in strikes against Cambodian military bases at Phu Makua and Ta Muen Thom Temple (TNN, 2025; Dataxet, 2025). On 27 July 2025, another deployment of two F-16s and two Gripen jets targeted strategic positions at Cambodian bases, with operations lasting approximately 20 minutes (Matichon, 2025; ThaiPBS, 2025; Thansettakij, 2025; Thairath, 2025). The depreciation and maintenance of these aircrafts cost about **THB 4.26 billion (USD 131.07 million) per month.**

Operating one JAS 39 Gripen one F-16 fighter jets combined would cost roughly THB 412,750 per hour. If 100 hours of operation is needed per month, this expense would run up to THB 41.27 million.

The combined expense of operating one JAS 39 Gripen fighter jet and one F-16 fighter jet would be approximately **THB 412,750 (USD 12,700) per hour.** Assuming that 100 hours of operation is needed per month, this expense would run up to **THB 41.27 million (USD 1.27 million) per month.** If two of each fighter jets are needed to be operated, the cost would double (**THB 88.55 million or USD 2.72 million**). This expense would continue to accumulate as the conflict continues.

2.2.5 Compensation and Relief for Affected Populations

As of 1 September 2025, a total of 53 civilians were directly affected by the clashes, including 14 fatalities and 39 injuries. Military personnel experienced a total of 292 casualties, comprising 18 death and 274 injuries (PRD, 2025). In response to these losses, the Thai government allocated a total of **THB 404 million (USD 12.43 million)** in compensation and relief funding for those affected by the Thailand–Cambodia border clashes as illustrated in Table [5]. (Thai Publica, 2025).

Table 5: Compensation and relief funding

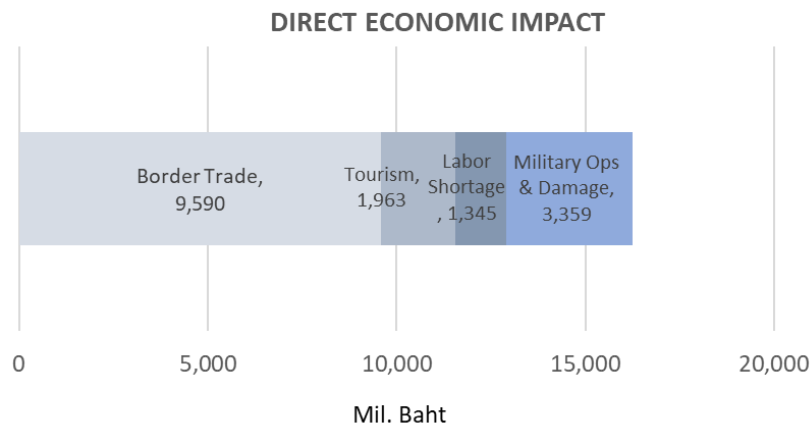
	Civilian			Police and Military		
	Persons	THB/ person	Total (THB mn.)	Persons	THB/ person	Total (THB mn.)
Fatality & Disability	17	8,000,000	136.00	19	10,000,000	190.00
Seriously injured	37	800,000	29.60	19	1,000,000	19.00
Injured	0	400,000	0	60	500,000	30.00
Total	54		165.60	98		239.00

Specifically, Si Sa Ket Province reported that 39 subdistricts encompassing 498 villages were immediate affected, with 113,771 households and a total population of 303,586 experiencing hardship. The Comptroller General’s Department approved an extension of emergency relief funds under the authority of provincial governors, providing **THB 100 million (USD 3.07 million)** per province to assist disaster-affected populations resulting from foreign military actions. This allocation covers seven provinces: Sa Kaeo, Chanthaburi, Trat, Surin, Si Sa Ket, Buri Ram, and Ubon Ratchathani (The Standard, 2025).

Property Repairs and Civil Protection: The clashes forced the evacuation of 188,734 people to 770 temporary shelters as of 29 July 2025 (PRD, 2025). The Thai government approved emergency relief payments for households affected by actions of foreign forces: **THB 2,000 (USD 61.53)** per household for evacuations up to seven days, and **THB 5,000 (USD 153.84)** per household for evacuations of eight days or more, funded from the central budget totaling **THB 1.516 billion (USD 46.64 million)**. Additionally, a budget of **THB 194 million (USD 5.96 million)** was allocated for the construction/ repair of communication towers along the Cambodia–Thailand border in seven provinces, and for the construction of 779 bunkers and shelters, bringing the total to **THB 1.710 billion (USD 52.61 million)** (Dailynews, 2025). The Ministry of Public Health reported damage to 169 healthcare facilities, including 20 hospitals and 149 Subdistrict Health Promotion Hospitals (SHPHs), with total damages estimated

at approximately **THB 285 million (USD 8.76 million)** (ThaiPBS, 2025; Radio Thailand, 2025).

Figure 6: Direct Economic Impact
THB 16.257 Bn/Month



2.3 Indirect Economic Impact

2.3.1. Supply Chain

Trade between Thailand and Cambodia is predominantly conducted via land transport, accounting for approximately 80% of total trade (World Bank, 2025). On average, logistics and land transportation costs typically represent around 15% of sales revenue (TPSO, 2025; ThaiPublica, 2025). Consequently, the additional average transportation cost due to disruptions is estimated at roughly **THB 727 million (USD 22.36 million)** per month, based on normal trade flows of **THB 16.145 billion (USD 496.76 million)** per month and average transportation costs of **THB 2.422 billion (USD 74.52 million)** per month.

The tourism-related impacts described above have also affected airlines. For instance, inbound Cambodian passengers flying to

The additional average transportation cost due to disruptions is estimated at roughly THB 727 million per month.

Thailand via AirAsia decreased by approximately 10% year-on-year (SAI-DMK: 2 flights/day; PNH-DMK: 9 flights/ week) (Flightsfrom, n.d.). Each A320 flight can accommodate 180 seats (Seatmaps, 2025), with average ticket prices ranging from **THB 3,000–3,500 (USD 92.30 – 107.69)** for SAI-

DMK and **THB 1,900–2,500 (USD 58.46– 76.92)** for PNH-DMK (Skyscanner, 2025), resulting in an estimated revenue loss of **THB 3 million (USD 92,307)** per month.

Meanwhile, Bangkok Airways had to adjust its Cambodian operations. The Bangkok–Phnom Penh route was reduced from three daily flights (133 seats per flight) to one daily flight, with an average ticket price of **THB 6,000–6,200 (USD 184.61 – 190.76)** per flight. The Bangkok–Siem Reap route replaced Airbus A319 aircraft (144 seats per flight) with smaller ATR propeller planes (70 seats per flight) while maintaining three daily flights, with ticket prices around **THB 3,200–3,500 (USD 98.46 – 107.69)** per seat (Flightsfrom, n.d.; InfoQuest, 2025). This adjustment is estimated to have impacted revenue by approximately **THB 57.2 million (USD 1.76 million)** per month.

2.3.2 Local Businesses

According to eFinance Thai (2025), the closure of the Thai–Cambodian border has significantly disrupted small businesses that rely heavily on cross-border traffic and customers. The estimated economic loss among local shops along the border amounts to approximately THB 150 million per day. For example, the closure of the Chong Sangam border checkpoint in Phu Sing District, Sisaket Province, from 23 June 2025, forced nearly all local shops to cease operations, resulting in daily trade losses of about **THB 10 million (USD 307,692.30)** (ThaiPBS, 2025). Similarly, the Rong Kluea Market, once dubbed a “billion-baht market,” experienced a sharp decline in sales of 75–100%, with many businesses forced to shut down (Thairath, 2025; PPTV, 2025; Sanook, 2025).

The impact extended beyond retail shops. Restaurants dependent on cross-border travelers suffered economic losses of approximately **THB 100 million (USD 3.07 million)** per day, while agricultural traders along the border who typically purchase produce for resale in Cambodia also faced losses of around **THB 100 million (USD 3.07 million)** per day. In addition, providers of passenger and cargo transportation services across the border reported lost income of about **THB 150 million (USD 4.61 million)** per day. Overall, the total economic impact on border-dependent small enterprises is estimated at **THB 500 million (USD 15.38 million)** per day, or roughly **THB 15.0 billion (USD 461.53 million)** per month.

Overall, the total economic impact on border-dependent small enterprises is estimated at THB 500 million per day, or roughly THB 15.0 billion per month.

2.3.3 Thai Direct Investment in Cambodia

The Ministry of Commerce reported that Thailand’s cumulative investment in Cambodia amounted to approximately **THB 124.9 billion (USD 3.84 billion)** (Matichon, 2025; Bangkokbiznews, 2025). According to the Bank of Thailand, Thailand’s direct investment outflow into Cambodia in 2024 was **USD 1.15 billion**, ranking as the seventh largest investor in the country (Sanook, 2025). This represented a sharp increase from **USD 605.14 million** in 2023 (BOT, 2025). In Q1 2025 alone, Thai direct investment outflow into

Cambodia reached USD 273 million. Key Thai investors in Cambodia affected by the conflict include:

- **Energy sector:** PTT Oil and Retail Business (OR) operates 186 fuel stations, 254 Café Amazon outlets, and 71 convenience stores. In 2024, Cambodia contributed **THB 1.2 billion (USD 36.92 million)** EBITDA, equivalent to 7% of OR's consolidated EBITDA. B.Grimm Power (BGRIM) operates a 39 MW solar power plant in Cambodia, representing 1% of its total capacity.
- **Retail sector:** CP All operates 112 branches of 7-Eleven in Cambodia (out of 15,595 stores in Thailand and other neighboring countries). The firm also established CP All (Cambodia) Co., Ltd. with a 30-year franchise license. CP Axtra operates 3 wholesale outlets in Cambodia (out of 175 total). Berli Jucker (BJC) has 25 retail outlets in Cambodia (out of a total of 2,030 stores)
- **Media sector:** Major Cineplex operates 33 cinemas in Cambodia (out of 863 total), accounting for 3% of consolidated revenue
- **Construction materials sector:** Siam Cement Group (SCG) holds investments of **THB 15 billion (USD 461.53 million)** in Cambodia, generating 5–7% of its consolidated revenue. Siam City Cement (40% Thai-owned) has a joint venture with Chip Mong Insee Cement Corporation, contributing **THB 200–250 million (USD 6.15 – 7.69 million)** annually (5–8% of total profit).
- **Healthcare sector:** Bangkok Dusit Medical Services (BDMS) operates two hospitals in Cambodia, accounting for 1% or **THB 1.093 billion (USD 33.63 million)** (BDMS, 2024) of the group's total hospital revenue,
- **Beverage sector:** Carabao Group dominates the Cambodian energy drink market with annual sales of **THB 2 billion (USD 61.53 million)**, representing 21% of total sales (13–37% of total revenue) (Thairath, 2025; eFinanceThai, 2025). The firm has also committed **THB 1.45 billion (USD 44.61 million)** to establish a local production plant in 2026 (The Star, 2025; Bangkokbiznews, 2025). Osotspa (OSP) derives 1–2% of its revenue from Cambodia
- **Agribusiness sector:** Charoen Pokphand Foods (CPF) reports Cambodian revenue of 3–4% of its consolidated total (Policy Watch, 2025). Interviews with executives indicate that, following the armed clashes, most Thai firms in Cambodia experienced revenue declines of 10–50%.

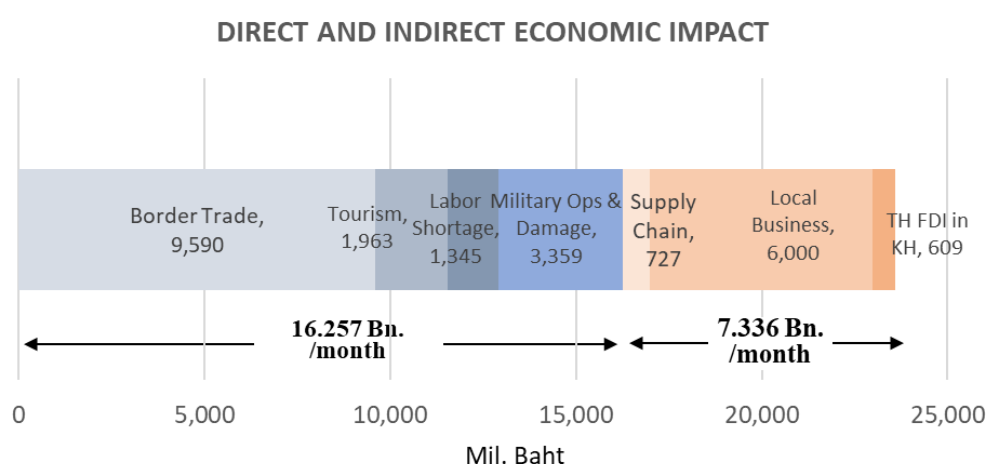
For indirect impacts, the estimated minimum economic loss amounts to roughly THB 7.336 billion per month.

The estimated economic damage in terms of EBITDA loss from Cambodian operations of various companies is approximately **THB 609 million (USD 18.73 million)** per month.

Based on officially reported figures of indirect impacts, the estimated minimum economic loss amounts to approximately **THB 7.336 billion (USD 225.72 million)** per month, as illustrated in Figure [7].

Figure 7: Direct and Indirect Economic Impact

THB 16.257 Bn/Month + THB 7.336 Bn/Month



2.3.4 Impact of the Thai-Cambodian Conflict on Businesses from Other Countries

Based on available information at the time that this paper is being prepared, examples of impact on foreign investors performing cross border businesses between Thailand and Cambodia or relying on the existing supply chain channels between the two countries, can be described as follows:

2.3.4.1 Impact on Japanese Businesses

The conflict between Thailand and Cambodia has had a significant impact on **Japanese businesses** in Cambodia, particularly those involved in the “**Thailand Plus One**” strategy, which uses Thailand as a main production base before expanding investment into neighboring countries.

Key Impacts and Related Figures (Data from the period of the conflict):

1. Disruption of Logistics and Land Transport:

- The closure of land border crossings severed the “**main artery**” of the supply chain, forcing Japanese companies to switch to more expensive and time-consuming sea or air freight.

- For example, **Yazaki Corporation** had to reroute the transport of parts from Cambodia to Thailand via sea and started manufacturing the same parts at its Thai plants as a backup.
- The Japanese Ambassador to Cambodia and the Japanese Business Association of Cambodia (**JBAC**) noted that a prolonged border closure could cause Cambodia to **lose its attractiveness for investment** under the “Thailand Plus One” strategy. (Khao Sod English, 2025)

2. Economic Losses and Investment:

- The JBAC President stated that Japanese businesses that are experiencing **economic losses had postponed its expansion plans**, affecting both Thai and Cambodian workers.
- At the start of the conflict, the Japanese Ambassador to Thailand had already estimated that approximately **10 Japanese companies** were directly affected, particularly in the **automotive sector**, which relies on parts from affected suppliers. (Bangkok Post, 2025)
- This impact has continued to spread across the Thai supply chain linked to Japanese auto manufacturers.

3. Investment Attractiveness:

- **JETRO** (Japan External Trade Organization) warned that the continuous border closure **endangered Cambodia’s attractiveness** as an investment destination. (The Nation, 2025)

In spite of the above assertions, specific figures for the direct losses of Japanese businesses in Cambodia have not been made available. However, the information provided primarily points to impacts in terms of supply chain disruption, increased logistics costs, delivery delays, and the postponement of investment plans, due to political uncertainty, unstable market conditions and severed transport links.

2.3.4.2 Impact on South Korean Businesses

Direct data and specific figures on the total damage to **South Korean businesses** in Cambodia from the Thai-Cambodian conflict are limited in most public reports. However, similar to the Japanese experience, there are indications that Korean businesses have been **indirectly affected** by logistics issues and the overall confidence in the Cambodian economy and market.

Indirect Impact on South Korean Businesses

South Korean businesses in Cambodia, which currently focus on the **textile, light industry, and construction/real estate** sectors, were

indirectly affected by key factors arising from the Thai-Cambodia border conflict:

1. Logistics and Transport Issues:

- The **closure of border checkpoints** and the disruption of road transport between Thailand and Cambodia affected the overall regional **supply chain**.
- Since Thailand is a transport hub and a crucial route for entering Cambodia, the disruption led to **higher costs and longer transit times** for goods coming from/through Thailand, impacting Korean companies reliant on importing raw materials or exporting via this route.

2. Investor Confidence:

- The conflict caused **uncertainty and security risks** in the border area, which impacted the **confidence of foreign investors**, including South Korean investors, in deciding whether or not to expand existing business or start new projects in Cambodia.

3. Tourism Sector:

- There were reports of an impact on **South Korean low-cost carriers** with routes to ASEAN, leading to a drop in the number of flights, which could lower **ticket sales** and affect revenue (though figures are not specific to damages in Cambodia alone). (Korea JoongAng Daily, 2025)

Overall Relevant Economic Figures (Not Specific to Korea)

Although specific figures for Korean businesses are unavailable, the overall impact on Cambodia's economy and regional logistics reflects the high-risk business environment that foreign operators had to contend with.

2.3.4.3 Impact on US Businesses (Including Automotive)

While most public reports focused on the impact on Thai and Japanese businesses (especially under the "Thailand Plus One" strategy), there is **no direct data or specific damage figures** linking the Thai-Cambodian conflict specifically to **US businesses in Cambodia**, including the **automotive sector**.

However, US businesses are indirectly affected by supply chain issues and overall regional stability:

Indirect Impact on US Businesses in Cambodia

1. Supply Chain and Logistics Issues:

- US businesses with manufacturing or component assembly bases in Cambodia that rely on road transport through Thailand (a regional logistics hub) were affected by **border closures**. This

disruption resulted in **higher logistics costs** and **production/delivery delays** for goods crossing the border.

2. Investor Confidence and Risk:

- The conflict increased **security risks** and **uncertainty**, which affected the **confidence of all foreign investors**, including the US, in new investment or expansion in Cambodia.
- A prolonged situation would cause the overall economic growth of Cambodia to slow down.

3. Connection to the Automotive Industry (Indirect):

- The US automotive industry operates a complex supply chain in the region, with **Thailand as a key production base**.
- Auto parts and components are one of **Thailand's main exports to Cambodia** (accounting for over 5% of the total export value) in 2024 and growing steadily until 2023. The disruption of border trade thus affected the flow of these goods, potentially having knock-on effects for global auto manufacturers (including the US) in the supply chain.

2.3.4.4 Impact on European Union (EU) Businesses

While there are no **specific damage figures** for **European Union (EU) businesses** from the Thai-Cambodian border conflict, there is clear evidence that EU businesses, which are largely involved in the manufacturing sector (especially textiles/garments) and tourism, were significantly affected through Cambodia's main economic channels.

Key Impacts on EU Businesses in Cambodia (Manufacturing/ Logistics)

EU businesses were indirectly affected by restricted transport:

1. Logistics Disruption:

- Logistics and transport businesses belonging to EuroCham (European Chamber of Commerce in Cambodia) reported that the conflict caused **significant disruption to cross-border trade**.
- Border closures forced operators to **divert transport routes** to air, sea, or alternative land routes via Laos, resulting in **higher costs** and **delays** in exports/imports.

2. Impact on Manufacturing and Exports (Especially Textiles):

- The EU is a **major export partner** for Cambodia (exports are close to 5-6% of total exports), with textiles as the primary commodity. Supply chain disruptions (for raw materials potentially imported/transiting through Thailand) and increased logistics costs **undermined the competitiveness** of Cambodian exporters targeting the EU market.

3. Impact on the Tourism Sector:

EuroCham members in the tourism and hospitality sectors reported clear impact figures (EuroCham Cambodia, 14 August 2025), as demonstrated in Table [6]:

Table 6: Tourism Impact Figures

Tourism Impact Figures (Reported by EuroCham)	Proportion Affected
Reported cancellations or reduced bookings from international travelers	77%
Experienced reduced revenue	63%
Observed a decrease in tourists from Thailand	55%
Ticket sales for Angkor Wat decreased by 20% during the conflict	20%

Overall Damages in Cambodia

- **Impact on GDP:** Analysis estimated that the Thai-Cambodian border conflict could cause Cambodia’s **GDP to decrease by more than 3%** over the next 12 months.
- **Loss in Border Trade Value:** Research estimated that the conflict resulted in border trade damage of at least **THB 14 billion (USD 430.76 million) per month**, impacting the overall business environment for all companies operating in Cambodia.

Conclusion: EU businesses were not directly targeted but were severely affected by the general uncertainty, logistics disruption, and collapse of the tourism sector in Cambodia, all stemming from the Thai-Cambodian border conflict.

The overall impact felt by foreign businesses is summarized in Table [7] as follows:

Table 7: Overall Impact to foreign businesses

Impact Category	Description
Supply Chain	Closure of land border crossings severely disrupts the supply chain system of companies that has been designed to rely on the co-dependence between Thailand and Cambodia. Such design has now proven to be a major liability for them. This has forced companies to rethink their supply chain strategy.

Impact Category	Description
Transportation Costs	Closure of all land border crossing has forced companies to divert their transportation routes, as well as mode of transportation, especially from land to sea and air, which has incurred significant additional expense for the businesses.

Loss Time	Diverting transportation routes and mode of transportation means loss of time and missed schedule for many companies.
Business Operation & Manufacturing	Due to the need to divert transportation routes and mode of transportation, companies have to restructure their work schedule to accommodate the delays, which resulted in loss time and decreased efficiency.
Raw Materials	Raw materials needed for manufacturing and production are either delayed or no longer available, due to closure of all land border crossing, forcing companies to source from alternative providers, such as China, Vietnam or Indonesia.
Exports	Disrupted supply chain and changes in route and mode of transportation have caused significant problems for companies that export parts, components and finished goods from Cambodia. Export volume and schedule are severely affected along with other parts of the operation of the company and its supply chain.
Investor Confidence	The conflict has caused foreign investors to lose confidence in investing in Cambodia and, to some extent, Thailand. The two countries have become less attractiveness as an investment destination for foreign companies.
Business Travel & Tourism	The war-like situation between the two countries, border closure, along with the delay in business operations have caused business travelers and tourists to defer or cancelled their travel plans to the border provinces in Thailand and Cambodia, as well as to Phnom Penh.

2.4 Induced Economic Impact

2.4.1 Household Spending in Thailand

According to Yaunta Securities (2025), approximately 55% of total wages are spent within Thailand, while the remaining 45% is remitted to Cambodia. The remittance is approximately **THB 4 billion per month (USD 123 million)** (BTimes, 2025), accounting for more than 3% of Cambodia's monthly GDP.

Cambodian migrant workers in Thailand remit approximately THB 48 billion per year.

Consequently, should Cambodian migrant workers withdraw from the Thai economy, household spending contributed by this group would decline. Multiplier effect calculation based on historical GDP data is approximately 0.36 (Siripraphanukul, 2025). The multiplier effect of the foregone consumption in Thailand should be **THB 1.44 billion (USD 44.3 million)**. The income from remittance are spent on foods, education and household necessities. Cambodian import leakage is around 10% (ADB, 2025). As a result, the reversible income importing Thai goods

is approximately **THB 400 million** per month. Consequently, net induced effects **THB 1.36 billion (USD 41.85 million)**

2.4.2 Social Issues

Property Security: The Thailand-Cambodia border dispute has affected landowners holding legally registered land titles, preventing them from exercising their property rights. For instance, 52 landowners in Ban Nong Jan sought to reclaim **2,700 rai (1,067.49 acres)** of land encroached by Cambodian forces (NationTV, 2025). The dispute has also impacted border-adjacent real estate, with average property prices declining by 10%, and has slowed new investment projects such as warehouses and logistics facilities in the Special Border Economic Zone.

Social Violence: The border clashes have generated societal hostility, creating tension and fear among Cambodian workers in Thailand, prompting many to consider returning home. For example, on 24 July, in Soi Charoen Phatthana 14, Min Buri District—a residential area for Cambodian workers—there were reports of Cambodian workers being assaulted by local youths. The perpetrators reportedly organized via social media after receiving news about the Thailand-Cambodia tensions (ThaiPBS, 2025). Similar incidents were reported in Samut Prakan Province (CH7, 2025), Rayong Province (BBC, 2025), Chanthaburi Province (Workpoint, 2025), and Sisaket Province (CH7, 2025). Conversely, Thai nationals in Cambodia were also targeted due to social media-driven animosity. On 25 July, Thai citizens were reportedly assaulted near Flamingo Pailin and Soi O, Poipet, opposite the Rong Kluea Market (CH3, 2025; CH7, 2025).

Illegal immigration: Following the clashes, there has been a continued issue of Cambodian nationals attempting to illegally enter Thailand. Arrests of foreign workers at Pong Nam Ron District in Chanthaburi Province and Aranyaprathet District in Sa Kaeo Province totaled over 375 individuals, driven by the desire to return to work in Thailand (ThaiPBS, 2025; ThaiPBS). At this writing, it has been reported that illegal migration into Thailand by Cambodian nationals is taking place on a continuous basis, in groups of 20 to 30 people at a time, mostly through the less populated routes along the Thai-Cambodian border. Cambodian job seekers are willing to pay trail guides between **THB 2,000 – 7,000 (USD 61.5 – 215.38)** to bring them across the border into Thailand to find jobs.

2.4.2 Long-Term Impacts from Behavioral Changes

The closure of the border has forced transport companies to reroute shipments through Laos or Vietnam, resulting in a 30% increase in transportation costs and a 40% increase in transit time.

The closure of the Thailand-Cambodia border has forced transport companies to reroute shipments through Laos or Vietnam (Bangkokbiz, 2025), resulting in a 30% increase in transportation costs and a 40% increase in transit time (AI Invest, 2025). Moreover, in many cases, the closure of the Thailand-Cambodia border has caused transport costs to surge sixfold (ThaiPBS, 2025). For example, goods previously transported via the Sa Kaeo border checkpoint to sell at Srisophon, Poipet, now have to travel 1,500 kilometers instead of 500 kilometers or switch from land to maritime transport (Bangkokbiznews, 2025; The Star, 2025). Consequently, the border closure has increased average transportation costs by approximately **THB 727 million (USD 22.36 million)** per month. The strong wave of boycotting Thai products has evolved into a “Witch Hunt Economy,” driven by social media discourse in the cyber sphere questioning, “Why support Thailand when it uses money to buy weapons to harm Cambodia?” This has adversely affected Thai businesses and services operating in Cambodia (Nikkei, 2025; TNN, 2025). Cambodian consumers have increasingly shifted to local products or brands from other countries, such as China and Vietnam, to replace Thai goods (Manager Online, 2025; Prachachat, 2025). This has forced some Thai small businesses to close, particularly restaurants and food service operators.

Certain Thai brands have responded to the witch-hunt culture by rebranding with local identities. For instance, PTT gas stations in Cambodia changed their name to PEACE Petroleum Cambodia (PPC) (Inforquest, 2025), while other Thai brands have suspended marketing budgets and communication campaigns targeting Cambodian consumers (Bangkokbiznews, 2025). Competitor brands from other countries have leveraged this opportunity to capture the market share from Thai products. Operators observed that although Cambodians traditionally prefer Thai products, prolonged absence of Thai goods or pressure from the witch-hunt campaign could shift consumer behavior toward Chinese or Vietnamese alternatives. Once the conflict subsides, Thai brands may face challenges in reclaiming their previous customer base.

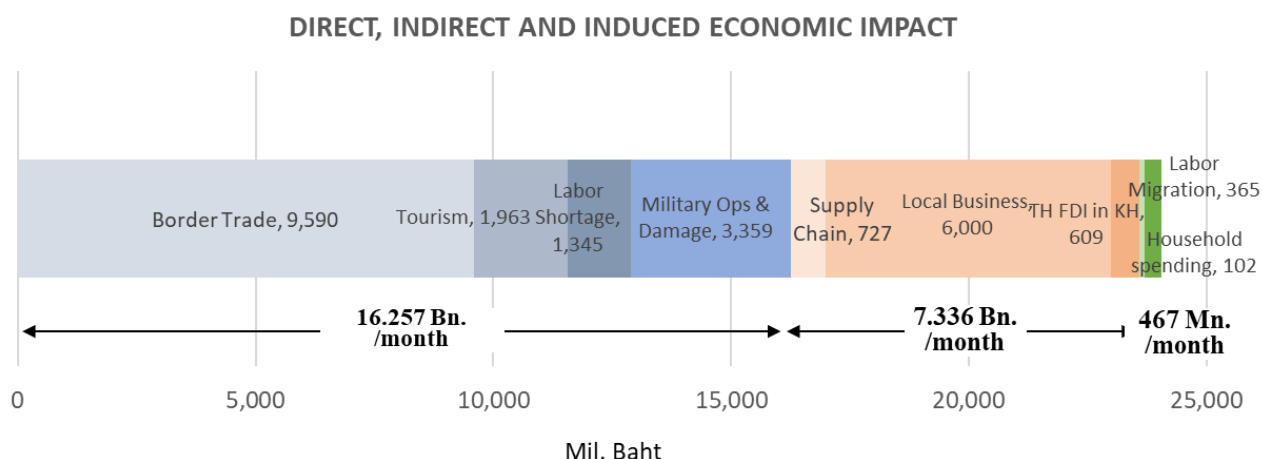
Even Thai businesses in Cambodia, unable to import raw materials or products from Thailand, have adjusted their supply chain strategies by sourcing from other countries such as China, Vietnam, India, Indonesia, as well as from local Cambodian suppliers. Coupled with the stronger Thai baht and rising transport costs, the cost of importing such alternatives has become comparable to—or even cheaper than—importing from Thailand. In addition, some operators have delayed their investment expansion plans in Cambodia and adopted prudent financial policies to maintain cash flow only at the level necessary for working capital, while repatriating all remaining retained earnings back to Thailand.

Thai businesses in Cambodia have adjusted their supply chain strategies by sourcing from other countries such as China, Vietnam, India, Indonesia, as well as from local Cambodian suppliers.

As for other possible side effects, it has also been predicted that, if the Thailand–Cambodia dispute continues, the prolonged image of conflict will also influence global perceptions of Thailand. The Tourism Council of Thailand notes that Thailand’s competitors—Vietnam, Taiwan, Malaysia, and China—will benefit. Their tourism promotion agencies have introduced financial support packages covering up to 30% of total operational costs for tour operators, designed to attract more foreign tourists (Bangkokbiz, 2025). Furthermore, reduced diplomatic engagement with Cambodia is likely to undermine the competitiveness of Thai businesses in that country, due to the lack of local partnership and advisory support, particularly concerning knowledge of the evolving economy, legal compliance and coordination with local authorities.

The quantifiable economic impacts, encompassing direct, indirect, and induced effects, are estimated at a minimum of approximately **THB 24.060 billion (USD 740.31 million)** per month, as illustrated in Figure [8].

Figure 8: Direct, Indirect and Induced Economic Impact
THB 16.257 Bn/Month+ THB 16.257 Bn/Month+ THB 16.257 Mn/Month



3. Economic Impact Estimates

3.1 Immediate Impact

Based on the research findings, the economic impact of the clashes between Thailand and Cambodia has inflicted severe damage on both countries, affecting the lives and properties of citizens along the conflict zones, as well as broader economic activities such as cross-border trade and tourism. The immediate monthly economic losses following the official closure of all border checkpoints on June 23, 2025, can be estimated around **THB 24.060 billion (USD 740.31 million)** or 6% of monthly GDP as follows in Table [8]:

Table 8: Economic impact assumption for one month

Economic Impact	Categories	Value (mn. THB)/ m.	One-month Assumption
Direct	Border trade	9,590	• Average monthly export value between January-May 2025 before the clashes
	Tourism	1,963	• Average spending of Cambodian tourists in Thailand per visit * Average no. of Cambodian visitors/month, 100% halt • Average spending of international tourists in Thailand per visit * Average international tourist arrival in Thailand between January-May 2025, 3% contraction of advance booking • Average spending of international tourists in Thailand per visit * Decline in July, 20% decline
	Labor market*	1,345	Cambodia are earning about 4,620 billion baht per month, 55% of their income are spent on cost of living in Thailand.

	Military operations	3,359	<ul style="list-style-type: none"> • Military Expenditure on depreciation, operation, maintenance and repair of the fighters; • Compensation and Relief for Affected Populations • Property Repairs and Civil Protection
Indirect	Supply chain	727	<ul style="list-style-type: none"> • Logistics revenue from border trade (15% of selling price) • Decline in number of flights / flight occupancy rate
	Local business	6,000	<ul style="list-style-type: none"> • Retail shops, restaurants, transportation and agriculture traders which depend on cross border travelers and traders. The actual profit loss is about 40%
	Thai direct investment	609	<ul style="list-style-type: none"> • Approximate decline EBITDA in Cambodia proportionately to overall revenue of the company, average decline around 30% from the
Induced	Cambodia household spending*	102	<ul style="list-style-type: none"> • Remittance to Cambodia as 45% of Cambodian workers revenue * Average remit to Cambodia per year. About 10% of this remittance will be spent on necessities imported from Thailand
	Labor migration	365	<ul style="list-style-type: none"> • Additional monthly wage for substitute workers in construction industry * Number of registered Cambodian worker in construction industry as of June 2025

Monthly Economic Impact already incorporate the GDP Multiplier effects THB 24.060 billion

3.2 Short Term Impact

The economic impact during the three-month period (July–September) following the border closure resulting from the clashes is estimated at approximately **THB 93.701 billion (USD 2.88 billion)** in losses to the Thai economy, as presented in Table [9]

Table 9: Economic impact assumption for 3 months

Economic Impact	Categories	Value (mn. THB)/m.	Three-Month Assumption
Direct	Border trade	38,360	<ul style="list-style-type: none"> Average monthly export value between January-May 2025 before the clashes for 3 months
	Tourism	5,890	<ul style="list-style-type: none"> Average spending of Cambodian tourists in Thailand per visit * Average no. of Cambodian visitors/month, 100% halt for 3 months Average spending of International tourists in Thailand per visit * Average international tourist arrival in Thailand between January-May 2025, 3% contraction of advanced booking for 3 months Average spending of International tourists in Thailand per visit * Decline in July, 20% decline for 3 months
	Labor market *	8,631	<ul style="list-style-type: none"> Cambodia are earning about 4,620 billion baht per month, 55% of their income are spent on cost of living in Thailand for 3 months
	Military operations	4,092	<ul style="list-style-type: none"> Military Expenditure on Armaments and the procurement of a new squadron of four JAS 39 Gripen Compensation and Relief for Affected Populations Property Repairs and Civil Protection
Indirect	Supply chain	4,362	<ul style="list-style-type: none"> Logistics revenue from border trade (15% of selling price) for 3 months Decline in number of flights / flight occupancy rate for 3 months
	Local business	30,000	<ul style="list-style-type: none"> Retail shops, restaurants, transportation and agriculture traders which depends on cost border travelers and traders for 3 months
	Thai direct investment	609	<ul style="list-style-type: none"> Approximate decline EBITDA in Cambodia proportionately to overall revenue of the company, average decline around 30% from the interview data for 3 months
Induced	Cambodia household spending*	662	<ul style="list-style-type: none"> Remittance to Cambodia as 45% of Cambodian workers revenue * Average remit to Cambodia per year for 3 months. About 10% of this remittance will be spent on necessities imported from Thailand
	Labor migration	1,095	<ul style="list-style-type: none"> Additional monthly wage for substitute workers in construction industry * Number of registered Cambodian worker in construction industry as of June 2025 for 3 months

3.3 Medium and Long-Term Impact

If the Thailand–Cambodia dispute remains unresolved and border checkpoints continue to be closed, exporters—despite implementing contingency measures—will still face rising transportation costs. For instance, land transport routes have been extended from 500 kilometers to 1,500 kilometers. Alternatively, shifting from land to maritime transport entails cost increases of more than 100 percent.

In addition, the appreciation of the Thai baht and escalating logistics expenses have incentivized Cambodian importers and Thai businesses that previously relied on raw materials or finished goods from Thailand to switch to suppliers from other countries. In some cases, total import costs, including transportation, have been found to be cheaper than sourcing from Thailand. Operators noted that, given the increasingly standardized nature of international production, customers or end-users readily accept alternative suppliers, making the likelihood of returning to Thai goods and services relatively low when costs are similar or lower.

The departure of more than 600,000 Cambodian worker was a big concern as it can be a shock in some industries such as the construction and agriculture (fruits collection). However, the labor market proves to be quite resilience and quickly and quietly absorbed the shock by paying higher wages. For example, higher wages for fruit collection attracted Thai labor from other provinces and also from Myanmar and Lao PDR. The disruption was brief and not widespread. It is also fortunate that Thai economy is not doing well and there is growing unemployment since early this year.

The problem may be bigger in Cambodia as the returning labor need to work to generate income for their families. The unemployment put a lot of pressure of these workers and their family. At the macroeconomic level, the remittance income carries high multiplier effects because it was spent of goods and services produced locally, e.g., foods and education services. Hence, the repercussion is compound quickly.

For consumer goods and services that have rebranded into local identities—or undertaken an “Un-Thai” strategy—businesses have been able to mitigate the effects of anti-Thai sentiment and continue operations. However, a number of Thai businesses, particularly in the restaurant sector, have permanently ceased operations. Those adopting the “Un-Thai” approach indicated that reverting to Thai branding in the future is unlikely, given the high costs of repeatedly altering business strategies.

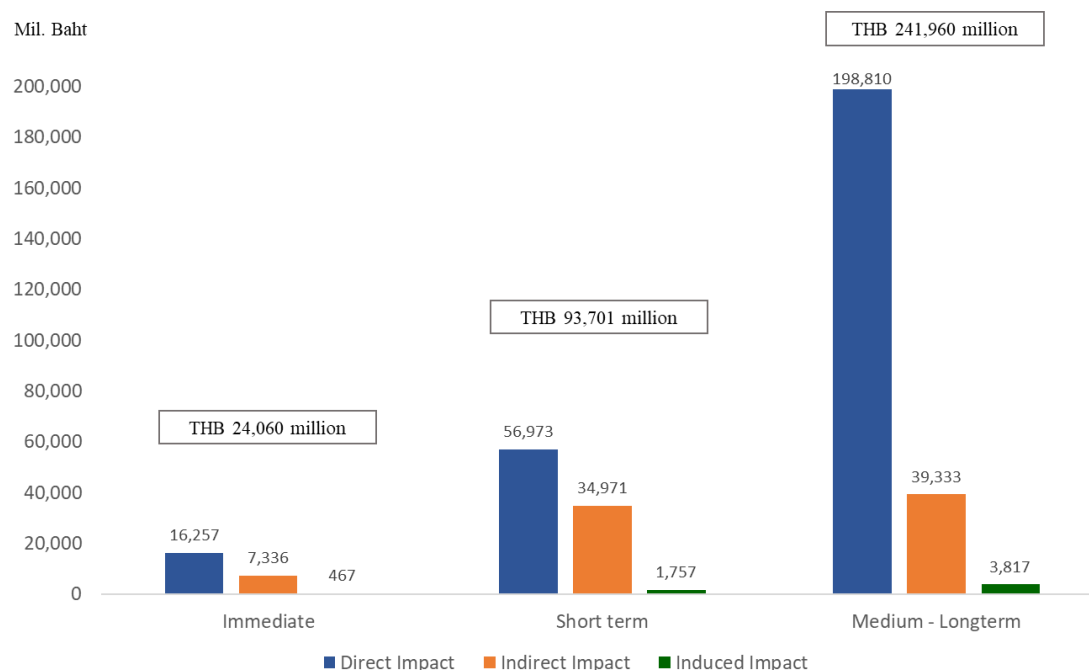
Moreover, ongoing boycotts of Thai products and services have shifted Cambodian consumers toward alternatives. Across all Thai product categories available in Cambodia, local, Chinese, and Vietnamese brands provide complete substitutes. Although Chinese and Vietnamese goods are, on average, about 10 percent more expensive at equivalent quality levels, they remain viable replacements. Should the conflict persist, Thai brands are expected to continuously lose market share, potentially to the point of no recovery.

Should the conflict remain unresolved, the estimated economic losses may reach THB 241.96 billion (USD 7.44 billion) for one year of border closure.

In the case of foreign-owned brands (non-Thai) that nonetheless depend on importing goods or raw materials from Thailand, operators will be forced to increase prices once existing stockpiles—accumulated before the closure of border checkpoints—are depleted, likely in the fourth quarter. These added costs will be passed on to consumers, thereby reducing the price competitiveness of Thai-linked products against Chinese and Vietnamese alternatives, further eroding Thai market share.

The Tourism Council of Thailand has also expressed concern over the decline in international tourist arrivals as travelers divert to alternative destinations such as Vietnam, Taiwan, Malaysia, and China—countries unassociated with conflict and unaffected by disinformation campaigns that tarnish Thailand’s image. This trend affects both intra-ASEAN tourism and arrivals from other international markets. Notably, in the first half of 2025, Vietnam surpassed Thailand as the top destination for Chinese tourists (Bloomberg, 2025). As a result, Thailand’s total inbound international tourist numbers are projected to decline by approximately 7 percent (Bangkokbiznews, 2025). Should the conflict remain unresolved, the estimated economic losses may reach **THB 241.96 billion (USD 7.44 billion)** for one year of border closure as shown in Figure [9].

Figure 9: Immediate, Short Term and Medium-Long Term Economic Impact



Based on the preliminary assessment of the officially reported figures, it can be observed that in the first month (July), the economic losses amounted to as such as 2.2% of monthly GDP. Nevertheless, although no severe clashes occurred in the subsequent months, the government continued to enforce border closures and maintain military deployments along the frontier. The cumulative impacts over the past three months have resulted in economic damage of at least **THB 93.701 billion (USD 2.88 billion)**.

Although businesses have undertaken adaptive measures to mitigate the impacts, Thai entrepreneurs operating in Cambodia remain concerned that Thai products could be substituted by local goods or imports from other countries. Once consumer behavior shifts over a prolonged period as a result of the protracted conflict, it may not be possible to regain the lost customer base. In such a scenario, Thai products risk being permanently replaced.

The cumulative impacts over the past three months (July-September 2025) have resulted in economic damage of at least THB 93.701 billion (USD 2.88 billion)

This conflict will delay the strategic location of the Thai-Cambodia economic corridor in the broader context of regional connectivity for many years. The longer it persists, the deeper will be the loss as new routes will be taking over. This damage is not included in this study.

After 3 months, most of the small and medium size businesses and households in both Thailand and Cambodia would run out of cash. Critical decisions on the business on whether and how to manage the rest of year and after that will be made. In the past events, it took about 3 months to start the reconciliation process. One there was a positive sign, the business sector immediately commenced the recovery process and money started to come back. If the outlook is bleak, the exit strategy will be the preferred strategy. As this is more than 3 months and there is no positive sign, most small businesses are adopting the exit strategy.

The small investors will be worst hit and they would need a lot of help to manage their closures, e.g., rent and employee contracts, selling equipment, furniture and fittings, and repatriation. While these are private investors, they are our fallen “economic warriors”. Their fellow fallen “economic warriors” are trying to help each other to work on their exit strategy but they also need the support from the Thai government. A close consultation will help to clarify the need to soften the pain for these investors.

One of the factors that encourage ASEAN to invest in other member countries is the ASEAN Comprehensive Investment Agreement (ACIA) (2009) which creates the positive ambient by protecting these investors. The key provisions are, e.g., treating investor from ASEAN like a local investor – the national treatment and given to ASEAN investor at least the best conditional given to other countries – the most-favored-national treatment. Another important provision is in Article 12: Compensations in the case of Strife – ASEAN investor that suffers losses in its territory due to armed conflict or civil strife or state of emergency will get non-discriminatory treatment with respect to restitution, compensation and other valuable consideration. While it is difficult to foresee the execution of this provision now, it is important to recognize the protection provide by this Agreement.

While these are medium and long-term measures are be implemented, the economic losses in taking place every day or even every minutes. The projected economic loss within one year for stalemate scenario could reach **THB 241.96 billion (USD 7.44 billion)**. **Some of these may be recovered in the long-run but the damages are here and now.**

4. Conclusion & Recommendations

3.2 Assessment of Overall Economic and Social Impact

The findings of this study underscore that the 2025 Thailand–Cambodia border situation has generated extensive economic and social disruptions with both immediate and long-term implications. The direct economic cost—stemming from halted border trade, labor repatriation, reduced tourism, and increased government expenditures—was estimated at **THB 16.257 billion (USD 500.21 million)** per month. When indirect and induced effects are included, the total monthly loss reached approximately **THB 24.060 billion (USD 740.31 million)**, equivalent to roughly 5–6 percent of Thailand’s monthly GDP.

Cumulative losses over the first quarter following the border closure amounted to **THB 93.701 billion (USD 2.88 billion)**, with projections suggesting up to **THB 241.96 billion (USD 7.44 billion)** in one year under a protracted stalemate scenario.

Socially, the effects are most visible in border provinces where employment, small enterprise income, and cross-border livelihoods depend on uninterrupted mobility. The sudden return of more than half a million Cambodian workers to their home country created structural labor shortages in Thai industries such as construction, manufacturing, and agriculture, driving wage increases of up to 20 percent. The consequent decline in household spending, reduced remittance flows, and weakened consumer confidence have further depressed local economic activity.

Beyond measurable economic impacts, the disruption of people-to-people exchanges, tourism, and cross-border supply chains has eroded regional economic resilience. The psychological and social strain on affected communities—stemming from uncertainty, reduced employment, and perceived insecurity—has been considerable. If left

Prolonged interruption of bilateral trade and mobility will continue to erode economic growth and cross-border social cohesion, causing long-term structural damage.

unaddressed, these conditions risk amplifying inequality and delaying recovery even after the restoration of normal relations.

At the macroeconomic level, Thailand faces declining export competitiveness. Tourism, once a major foreign exchange earner, has been negatively affected as international travelers redirect their preferences toward other ASEAN destinations. Collectively, these dynamics represent not only an economic loss but also a setback to regional integration.

In summary, while adaptive measures by businesses and local governments have mitigated some immediate consequences, the data indicate that prolonged interruption of bilateral trade and mobility will continue to erode growth potential and cross-border social cohesion. Early restoration of normal economic interaction, supported by institutional mechanisms for stability and cooperation, is essential to avert long-term structural damage.

Stabilizing and revitalizing the Thailand–Cambodia economic corridor requires not only policy coordination but also sustained operational engagement from all stakeholders—public, private, and civil society. A cooperative and evidence-driven recovery approach will not only mitigate economic losses but also reaffirm both nations’ commitment to inclusive and sustainable regional development.

Though impact on the Cambodian economy seems to be smaller in terms of values, but, due to the smaller size of GDP, the proportion to country’s GDP is larger. More importantly, the result shows both countries are negatively affected and large numbers of people on both sides of the border are trapped in these losses.

4.2 Recommendations

4.2.1 Economic Resilience

- a) **Establish an Economic Recovery Framework (ERF):** A joint public–private partnership (PPP) task force, co-led by the Ministries of Commerce and Foreign Affairs, should be established to coordinate the gradual rerouting of trade and labor flows. The framework should include confidence-building measures, phased checkpoint resolution, and sectoral working groups for agriculture, logistics, and tourism. Furthermore, the socio-economic impact assessment should extend beyond quantifying economic losses to include social well-being of the affected population. Options for temporarily opening selected “non-dispute” checkpoints should be studied as a humanitarian gateway for civilian benefit. This should into consideration some of the existing regional mechanism, e.g., the ASEAN agreements on trade (ATICA), investment (ACIA), the Master Plan for ASEAN Connectivity (MPAC).
- b) **Create a Border Economic Resilience Fund:** All ASEAN countries have border issues with at least one other neighbor. Territorial disputes should continue to be discussed and negotiated with the help of modern mapping technology, political maturity and clear legal guidelines. However, the economic and business benefits should be safeguarded while the process is progressing. New strategies should be developed to decouple these economic and development issues from the political and technical realities at the border.

- c) **A second line of defense should also be considered.** A national fund aimed at supporting small and medium-sized enterprises (SMEs), logistics operators, and displaced workers in border provinces should be established. Funding sources could include contributions from the government, PPP and multilateral development agencies. Priority should be given to enterprises dependent on cross-border trade, small and medium size businesses and producers of agricultural products. This can be an opportunity to develop a protocol to implement Article 12 of ASEAN Comprehensive Investment Agreement on Compensations in Cases of Strife.
- d) **Implement Supply Chain Diversification and Risk Management:** The Ministries of Commerce and Industry should promote diversification of input sources and logistics routes to reduce vulnerability to border disruptions. Tax incentives or low-interest financing can be provided to firms investing in regional warehousing, digital logistics, and inventory resilience systems. Government should consider infrastructure and logistics modernization projects to invest in multimodal logistics corridors—particularly the Southern and Eastern Economic Corridors—should be expedited to strengthen connectivity and reduce dependency on any single border crossing. Logistics options (land, sea, air) should be constructed in the medium and long-term in order to provide viable alternatives to current land routes, to help reduce time, cost, and distance.
- e) **Strengthen labor mobility and skills cooperation:** Collaboration between vocational education agencies can facilitate upskilling and reskilling programs for migrant and local workers, thereby reducing dependency on any single labor source. Moreover, local government and provincial administrations in border areas should implement employment substitution programs, encourage community-based enterprises, and provide financial literacy training for affected households. Partnerships with NGOs can support social reintegration and psychological resilience.

For immediate action, there are over 450,000 Cambodian holding work permits (see Table [10]). Some of them will be expired in February 2026, a few months away. Many of the holders are now in Cambodia and wanting to come back. This will greatly benefit the Cambodian economy which is under pressure from the unemployment and economic downturn.

Table 10: Number of Permits for Cambodian Workers in 2025

Labor type	Description	June	July	August	Sept
1. Aliens under Section 59 (General Category)	Persons who are permitted to temporarily reside in the Kingdom under the Immigration Act	702	698	676	720
2. Aliens under Section 59 (Imported under MoU)	Those who come to work under agreements between the Thai government and partner countries	182,963	178,240	162,015	150,490
3. Aliens under Section 62 (Investment Promotion Category)	Those who come to work under agreements between the Thai government and partner countries in Thailand under the Investment Promotion Act	89	90	90	90
4. Aliens under Section 64	Those who come to work along the border on a day-trip basis or temporarily on a seasonal basis	33,055	37,043	27,017	16,562
5. Aliens under Section 63/2	Workers permitted to temporarily reside and work in the Kingdom in accordance with Cabinet resolutions.				
	5.1 Those whose permits were renewed in accordance with Cabinet resolutions of September 24, 2024, and February 4, 2025.	195,549	195,549	195,549	182,904
	5.2 Persons whose registration status is not legal according to the Cabinet Resolution of 24 Sept 2024	108,160	108,064	105,277	103,522
		520,518	519,684	490,624	454,288

Source: Monthly Report of Work Permits granted, Information and Communication Center, Foreign Workers Administration Office, Ministry of Labor.

Revitalize Local Tourism: Tourism authorities of Thailand should develop marketing campaigns emphasizing sustainable tourism in the seven border provinces to stimulate renewed confidence among travelers and investors. Reintroducing tourism stimulus programs, specifically targeting the bordering provinces, in parallel with a “Half-Half Co-payment Scheme,” should be able to help boost visitor numbers, economic spending, and the public perception of safety.

4.2.2 Business Operational Adaptability

Accelerate Digital Trade and Market Diversification: Enterprises should accelerate digital trade adoption, diversify export destinations, and build partnerships with local distributors in Cambodia to preserve market presence. With an aim to mitigate the risk of an “Un-Thai” witch hunt culture, businesses should cultivate strong local partnerships, consider re-branding to local brands, or establish Joint Ventures (JVs) with Cambodian operators.

Enhance Intelligence-Sharing: Business and trade chambers should facilitate intelligence-sharing platforms for risk monitoring and recovery coordination. They should also establish a cross-border data

observatory to monitor trade recovery, labor flow, and social indicators, enabling timely policy calibration and evidence-based decision-making.

4.2.3. Diplomacy-led Information Management and Strategic Communication

Ensure Proactive and Coherent Communication: The government's real-time strategic communication on all issues related to the conflict must be proactive and swift. In cases of international disputes, the Ministry of Foreign Affairs should serve as the focal point responsible for framing strategic communication efforts and effectively disseminate the messages across all media channels, in order to ensure coherence, consistency, and alignment with narratives that project a principled and credible national image. Such communication should aim to advance the shared interests of the peoples of both countries, while reducing hostility and polarization within the public sphere.

Develop Narrative Management Strategies: The Ministry of Foreign Affairs should take the lead in developing narrative management strategies related to international relations that are consistent with a proactive and unified diplomatic policy framework. This approach should promote the peaceful resolution of the situation with Cambodia while upholding territorial integrity. Historical narratives, for instance, which can significantly influence public attitudes on both sides, must be handled with sensitivity and accuracy (e.g., historical narratives like that of Phraya Lawaek (who allegedly betrayed Siam), as referenced in Manager Online, 2025; Sanook, 2025).

A joint pursuit of mutual benefits for the peoples of both nations, therefore, requires a comprehensive, multi-stakeholder approach — particularly incorporating marginalized economic and social groups in the national plan of action. It is crucial to present both the positive and negative impacts of the conflict in concrete terms to motivate citizens from both countries to overcome bias and recognize the urgency of constructive conflict de-escalation.

A joint pursuit of benefits for the peoples of both nations, requires a comprehensive, multi-stakeholder approach — incorporating marginalized groups in the national plan of action.

4.2.4. Fact Checking and Debunking

Coordinate Public Information Campaigns: Both governments and private sectors should coordinate public information campaigns that emphasize economic cooperation, discourage misinformation, and reinforce the shared value of stability for regional prosperity. Periodic reports to enterprise members, published at least monthly, should

provide timely chamber recommendations responding to the dynamic changes in the border situation.

Establish a Unified Communication Channel: Although the Government Spokesperson's Office serves as the official information hub between the government, the public, and the media. The current communication process has been widely criticized for requiring too long a response time. As a result, it is seen as inefficient in promptly countering false or misleading information, especially in the social media channels. This delay allows public opinion to be easily influenced or manipulated by inaccurate content.

The government should designate a specific agency—or establish a unified communication channel—to serve as the central body responsible for delivering factual information, refuting false narratives in real time, and implementing strategic communication with both domestic and international audiences. The government should also consider the application of Artificial Intelligence (AI) to support these operations. AI-enabled systems could include mechanisms for detecting disinformation trends, issuing public alerts about threats and information operations, and providing timely clarification and guidance to citizens.

In addition, a government-operated chatbot, integrated into the central communication system and the existing disaster warning system, could be deployed to disseminate verified information directly to the public. Such a platform would help ensure consistency in messaging, reduce public confusion, and reinforce communication unity.

In the final analysis, it is a fact of life that Thailand and Cambodia are, and will continue to be, neighboring countries. Given favorable conditions, this on-going conflict will eventually be resolved. How and when will this happen would depend on the decision-makers of the two countries. But when that time arrives, we have to be prepared to ensure that the transition will be smooth and the return to growth and prosperity will be speedy and sustainable.

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