

CHAPTER 1

Opportunity in a Crisis?: Cambodia in an Era of Trump 2.0

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Introduction

Throughout history, Cambodia-U.S. relations have oscillated between engagement and estrangement, often influenced by the U.S. emphasis on democratic values, human rights, and good governance. The previous Cambodian leadership under Prime Minister Hun Sen resisted implementing these principles, favoring a close alliance with China. This geopolitical orientation has continuously pushed U.S. interests to the periphery of Cambodian policy considerations. However, the ascendance of Hun Manet, Hun Sen's eldest son, has created a notable shift in Cambodia's political landscape that has paved the way for renewed diplomatic engagement with the United States. Moreover, with Donald Trump's reelection, significant shifts in U.S. foreign policy are anticipated. Key developments, including the dismantling of international aid programs, the deportation of undocumented immigrants, and the imposition of "reciprocal tariffs," particularly target smaller states like Cambodia and carry profound implications for its socio-economic landscape. The Cambodian government under Hun Manet has been trying to recalibrate its foreign policy, suggesting opportunities for strategic reconnection with Washington. This dynamic raises critical questions about how Cambodia can effectively navigate the geopolitical tensions of its relationships with both the United States and China, while maximizing economic and security benefits and minimizing political costs.

This paper explains the nuanced implications of Trump 2.0's trade policies on Cambodia, examining the potential economic ramifications of rising tariffs and shifting investment patterns. It further analyzes Cambodia's adaptive strategies, including tariff negotiations, procurement initiatives, and regulatory reforms, as Cambodia seeks to reposition itself within an increasingly competitive global landscape. The following sections will elucidate the challenges and opportunities ahead for Cambodia, revealing the intricate interplay among national interests, international relations, and economic imperatives in a rapidly evolving geopolitical context.

Trump 2.0's Trade Policy and Its Impacts on Cambodia

The re-election of Donald J. Trump as President of the United States in November 2024 marks a critical shift toward a more aggressive economic policy framework. Characterized by increased tariffs, deregulation, and a revitalization of domestic industries, this "America First" agenda is fundamentally reshaping both the internal dynamics of U.S. politics and its economic landscape. The implications of these policy changes are far-reaching, exerting considerable influence on global trade,

financial markets, and international economic relations. The unprecedented speed and scale of these policy changes in the United States have sparked strategic realignments and prompted micro- and macroeconomic adjustments worldwide, raising significant concerns about the stability of the global trading system and the viability of multilateralism.

For Cambodia, the economic repercussions of Trump's trade policies are particularly dire. A significant consequence of these new directives is the potential for substantial job losses and declining revenues across various manufacturing sectors. On April 2, 2025, President Trump unveiled a sweeping trade policy known as "Liberation Day," which included a universal 10% tariff on all imports, along with additional reciprocal tariffs targeting specific nations. Cambodia emerged as one of the most adversely affected countries, facing a staggering 49% tariff—the highest in the ASEAN region—due to its considerable trade surplus with the United States.¹ At the end of 2024, the United States was the top export destination for Cambodia, accounting for nearly 38% of its export value totaling approximately \$9.92 billion, predominantly in the garment and footwear sectors, which employ over 800,000 workers.² This imbalanced trade profile and the abrupt introduction of elevated tariffs pose significant threats to Cambodia's garment industry and could jeopardize thousands of jobs.

Moreover, on July 1, 2025, the U.S. government officially dismantled the U.S. Agency for International Development (USAID), merging its remaining operations with the State Department.³ Historically, Cambodia has benefited from substantial USAID support since the 1960s, with the total aid exceeding \$3 billion over the past three decades. In 2024 alone, USAID allocated approximately \$98.47 million to Cambodia for enhancing health, democracy, human rights, and governance initiatives.⁴ Additionally, the United States contributed around \$10 million annually to mine clearance operations.⁵ Reports indicate that the termination of USAID's framework resulted in the elimination of 30 contracts in Cambodia, totaling \$260 million; of these, only nine had been fully paid, and the remainder were subject to termination.⁶

Another critical challenge to Cambodia's economy stems from the expiration of the Generalized System of Preferences (GSP) in 2020. As of 2025, this trade privilege has not been reauthorized, primarily due to ongoing concerns about Cambodia's democratic regression and human rights

¹ Pisei Hin, "Cambodia Tops List of New Trump Tariffs, 49%," Phnompenhpost.com, 2025, <https://www.phnompenhpost.com/national/cambodia-tops-list-of-new-trump-tariffs-49->.

² Roland Chauville, "Cambodia's Women Garment Workers Have Been Promised a Decent Life: Now We Must Support Them to Claim Their Rights," Views & Voices, July 19, 2022, <https://views-voices.oxfam.org.uk/2022/07/cambodias-women-garment-workers/>.

³ Leila Fadel and Fatma Tanis, "USAID Officially Shuts down and Merges Remaining Operations with State Department," NPR, July 2025, <https://www.npr.org/2025/07/01/nx-s1-5451372/usa-id-officially-shuts-down-and-merges-remaining-operations-with-state-department>.

⁴ Sophia Datta, "From Democracy to Diplomacy: The New U.S. Strategy in Cambodia Post-USAID | New Perspectives on Asia," Csis.org, 2025, <https://www.csis.org/blogs/new-perspectives-asia/democracy-diplomacy-new-us-strategy-cambodia-post-usaid>.

⁵ Ibid.

⁶ Ibid.

violations. Under the GSP, Cambodia previously secured duty-free access to the U.S. market for approximately 5,000 products, significantly enhancing the competitiveness of its exports, including garments, footwear, agricultural goods, and travel products.⁷ In the absence of this preferential treatment, Cambodia's exports are subject to higher duties, leaving tariff relief and sector-specific trade agreements as vital bargaining tools in the context of Trump 2.0's trade policies.

Cambodia's Concessions

Such potential losses are significant for Cambodia, given its small economy. To court and please President Trump, Cambodia has taken the decisive measures outlined in this section. First, Cambodia has slashed its tariffs on American imports to zero percent. Such a decision needs to be interpreted in tandem with the Cambodia-Thailand border conflict from July 24 to 28, 2025.

For President Trump, the tariff negotiation in the context of the Cambodia-Thailand conflict presented him with two opportunities. On the one hand, he could use tariff threats as a diplomatic leverage to force both Thailand and Cambodia to sign the joint declaration to uphold peace and end fighting. In a private phone call with the Cambodian and Thai prime ministers regarding the Cambodia-Thailand conflict, the U.S. President used the prospect of economic measures as leverage to pressure both governments toward a ceasefire and negotiations. To quote an online post by President Trump, "When all is done, and Peace is at hand, I look forward to concluding our Trading Agreements with both."⁸ That said, President Trump's approach to the heavy fighting that broke out along the Cambodia-Thailand border illustrates how tariffs and trade instruments have become active levers of U.S. diplomacy. This led Cambodia to nominate President Trump for the Nobel Peace Prize.

On the other hand, President Trump was able to achieve highly favorable trade agreements with Cambodia (and Thailand). In the process of negotiating the ceasefire agreement, Cambodia was to make concessions as a token of the U.S. tariff reduction from initially 49 percent to 19 percent, and Cambodia agreed to slash tariffs on American imports from a maximum of 35 percent to zero in the US-Cambodia Agreement on Reciprocal Trade signed on October 26, 2025. This elimination of 100 percent of U.S. industrial goods and U.S. food and agricultural goods was based on "staggering categories" detailed in an Annex to the agreement, and Cambodia also committed to imposing no quotas on U.S. imports unless otherwise agreed by both parties.⁹ Furthermore, the deal extends beyond

⁷ Arunputhirith Kong, "What Can Cambodia Expect from 'Trumponomics 2.0'?" *cambodianess.com*, 2024, <https://cambodianess.com/article/what-can-cambodia-expect-from-trumponomics-20>.

⁸ Quoted in Hong, Raksmei. July 27, 2025. "Trump: Cambodia and Thailand agree to ceasefire after US mediation, trading table after fighting stop." *The Phnom Penh Post*. <https://www.phnompenhpost.com/national/trump-cambodia-and-thailand-agree-to-ceasefire-after-us-mediation-trading-table-after-fighting-stop>.

⁹ Please consult the official U.S. website for details: <https://www.whitehouse.gov/briefings-statements/2025/10/joint-statement-on-united-states-cambodia-agreement-on-reciprocal-trade/#:~:text=Key%20terms%20of%20the%20Agreement,has%20already%20implemented%20this%20commitment>.

tariffs, as Cambodia has pledged to eliminate numerous non-tariff barriers, including streamlining import licensing, accepting U.S. vehicle safety and agricultural health standards, and committing to enforce robust labor, intellectual property, and environmental protection standards in the name of “strengthening their commercial relationship.”¹⁰

On the bright side, eliminating tariffs on U.S. goods such as vehicles, spare parts, capital equipment, and pharmaceuticals will make these products significantly more affordable, thereby lowering production costs for Cambodian firms and providing local consumers with better access to essential products. However, analysts also highlight the heightened competition for import-competing industries, particularly those linked to Japan, South Korea, and China, which were previously the go-to sources for these inputs. In addition, Cambodian domestic industries, such as local food processors or vehicle assemblers, suddenly face stiff competition from cheaper, high-quality, duty-free U.S. alternatives, putting intense pressure on them to increase efficiency or risk being undercut on price. All in all, the removal of tariffs creates a cost advantage for the United States, as it gains access to Cambodian markets at a lower cost than others.¹¹

Cambodia’s second measure in response to President Trump is its pledge to buy 10 Boeing 737 MAX 8 planes, with the option to buy 10 more in the near future for its national carrier Air Cambodia, at \$90 million to \$120 million per aircraft.¹² The primary reason behind Cambodia’s commitment to purchase Boeing aircraft is to serve as an immediate major economic and diplomatic concession to the United States in exchange for favorable trade terms. This purchase aligns perfectly with a broader U.S. Indo-Pacific strategy, as observations show a pattern of President Trump consistently pushing for Boeing sales in trade packages with key partners like Vietnam, South Korea, and Turkey to reduce the U.S. trade deficit, promote American manufacturing jobs, and use the aerospace sector as a tool for geopolitical leverage to curb Chinese industrial influence.

For Cambodia, the deal also signals a foreign policy orientation shift away from Chinese aircraft manufacturer Commercial Aircraft Corporation of China, Ltd. (COMAC), which had been lobbying Air Cambodia to consider its C919 jet as an alternative, demonstrating a calculated policy recalibration to strengthen ties with the United States. (That being said, it is noteworthy that Cambodia is carefully maintaining relations with China, considering the memorandum of understanding (MoU) between Air Cambodia and COMAC signed on September 8, 2025, with a commitment to purchase 20 Chinese-

¹⁰ Scott E Diamond, “United States and Cambodia Sign Reciprocal Trade Agreement,” SmarTrade, October 28, 2025, <https://www.thompsonhinesmartrade.com/2025/10/u-s-cambodia-sign-reciprocal-trade-agreement/>.

¹¹ Sum Manet, “Cambodia Eliminates Tariffs on All Imports from the US,” *Khmer Times*, October 27, 2025, <https://www.khmertimeskh.com/501780112/cambodia-eliminates-tariffs-on-all-imports-from-the-us/>.

¹² Sum Manet, “Cambodia Mulls \$1.2 Billion Purchase of Boeing Jets from US,” *Khmer Times*, August 4, 2025, <https://www.khmertimeskh.com/501732389/cambodia-mulls-1-2-billion-purchase-of-boeing-jets-from-us/>.

made C909 regional jets.¹³) The purchase of the Boeing jets is also beneficial to the enhancement of Techno International Airport (KTI), newly inaugurated on October 10, 2025, to modernize its aviation fleet with more fuel-efficient, lower-emission aircraft, as the Boeing 737 MAX 8 is known for its improved fuel efficiency, quieter operation, and reduced environmental footprint.¹⁴

However, the purchase faces several significant challenges for Cambodia. The most immediate issue is the long delay time; due to high global demand and production backlogs, the first aircraft is not expected to be delivered until 2031, meaning the commercial and operational benefits are years away. Furthermore, financing a multi-million-dollar commitment is a massive undertaking for a relatively small, state-backed airline, which must also develop specialized maintenance infrastructure and provide extensive training for pilots and technical staff to operate the new aircraft type.

Beyond tariffs and purchases, the Trump administration also pressed Cambodia to address practices that undermine U.S. trade policy, particularly illegal transshipment. This fraud, primarily orchestrated by Chinese manufacturers, involves shipping goods into Cambodia, relabeling them “Made in Cambodia,” and exporting them to the United States to evade applicable tariffs and origin rules. This pressure intensified following the U.S. imposition of a massive tariff of more than 3,500% on solar panels exported from Cambodia due to findings of circumvention and dumping. In response, Cambodia’s Ministry of Economy and Finance and the Ministry of Commerce (MOC) issued an Inter-Ministerial Prakas on April 30, which came into effect on May 12, 2025.¹⁵ These regulations are aimed at preventing origin fraud and enhancing the transparent enforcement of the Laws on Rules of Origin for exports of certain goods to the U.S. market, outlining key requirements such as:

- Producers and exporters of specified goods must obtain an Origin Certification Letter (OCL) from the Ministry of Commerce and attach it to their Customs Declaration when exporting to the United States.
- Exchanges of information between the General Department of Customs and Excise (GDCE) and the General Directorate of Trade Support Services (GDTSS) are implemented to ensure comprehensive data sharing and compliance with rules of origin.
- In cases where the origin of goods is doubted, or upon request from the importing country, the United States, the GDCE, and GDTSS are authorized to conduct joint investigations to verify uncertainty.

¹³ Khmer Times, “Air Cambodia Signs MoU to Purchase 20 Chinese C909 Aircraft, Plans to Purchase 10 American Boeing 737-800 MAX Aircraft,” *Khmer Times*, September 11, 2025, <https://www.khmertimeskh.com/501755514/air-cambodia-signs-mou-to-purchase-20-chinese-c909-aircraft-plans-to-purchase-10-american-boeing-737-800-max-aircraft/>.

¹⁴ Sum Manet, “Cambodia mulls \$1.2 billion purchase of Boeing jets from US,” *Khmer Times*, August 5, 2025, <https://www.khmertimeskh.com/501732389/cambodia-mulls-1-2-billion-purchase-of-boeing-jets-from-us/>.

¹⁵ Clint O’Connell, “Cambodia Issues Inter-Ministerial Prakas to Combat Origin Fraud with Respect to the Export of Certain Goods to the US,” DFDL, May 8, 2025, <https://www.dfdl.com/insights/legal-and-tax-updates/cambodia-issues-inter-ministerial-prakas-to-combat-origin-fraud-with-respect-to-the-export-of-certain-goods-to-the-us/>.

- Lastly, if producers and exporters are found to be committing origin fraud, including concealment of transshipment or misdeclaration, they face penalties as stipulated in the Laws on Rules of Origin and Customs.¹⁶

By addressing illegal transshipment, Cambodia protects the integrity of its legitimate export industries, especially garments and footwear, from reputational damage and the risk of collateral U.S. sanctions targeting origin fraud. In addition, this regulation also promotes good governance in Cambodia, laying a foundation for a more transparent business environment capable of attracting legitimate long-term investment. Conversely, this move has put pressure on foreign manufacturers, particularly those of Chinese origin, who relied on Cambodia as a transshipment loophole, creating a potential friction point while simultaneously imposing a massive operational burden on Cambodia's government to implement the new, strict OCL requirements effectively and to police them across all relevant departments.

Additionally, the U.S. administration also linked economic incentives to security and law-enforcement cooperation, such as the request for Cambodia to combat online scam operations that target American citizens. Cambodia has set up many high-level task forces and mechanisms to coordinate law enforcement against cyber-enabled fraud activity, including the recent establishment of a committee to combat online scams on July 2, 2025, including the Commission for Combating Online Scams (CCOS) and the National Counter-Cybercrime Committee (NCCC), in an effort to address these transactional crimes. Those government officials caught involved in these transaction crimes face dismissal from the government for non-compliance. These operations have arrested over 5,000 suspects and dismantled 92 sites across the nation, signaling a new, more serious resolve to tackle the issue and improve Cambodia's international standing.¹⁷ According to the Secretariat of the Commission for Combating Cybercrime (CCC), Cambodian cybercrime efforts led to the arrest of 2,418 people in 18 operations in the first six months of 2025. Subsequently, from late June to October, Cambodian authorities sent a total of 75 suspected ringleaders and accomplices to court and arrested more than 3,400 suspects of 20 different nationalities in connection with cybercrime.¹⁸ In essence, rising cybercrimes are perhaps the most significant immediate barrier to maximizing gains from the Trump 2.0 administration, even if Cambodia were to play its cards right. Moreover, with relation to forced labor in cybercrime, Cambodia has remained at tier 3 (the lowest ranking) in the U.S. State Department's Trafficking in Persons Report for the last four consecutive years, in which Cambodia

¹⁶ Ibid.

¹⁷ David Mineo, "Cambodia's Crackdown on Online Scams Balances Sovereignty and Strategic Cooperation," BowerGroupAsia, October 19, 2025, <https://bowergroupasia.com/cambodias-crackdown-on-online-scams-balances-sovereignty-and-strategic-cooperation/>.

¹⁸ Khmer Times, "More than 3,400 Arrested in Four-Month Crackdown on Online Scams across Cambodia," October 16, 2025, https://www.khmertimeskh.com/501774178/more-than-3400-arrested-in-four-month-crackdown-on-online-scams-across-cambodia/#google_vignette.

has been labeled as a “state sponsor”¹⁹ of human trafficking.²⁰

Cambodia’s Future Foreign Policy Direction

What one should expect from Cambodia’s foreign policy is that it will likely continue to enhance its partnership with the United States across all domains while balancing that with its traditional partner, China. Such a policy is commonly known as hedging.

Hedging in the “Quiet but Not Silent” Way

The catchy phrase “quiet but not silent,” used by Prime Minister Hun Manet during heightened military tension with Thailand following a ceasefire in July 2025, has quickly become a trend in discourse. The phrase was mainly used to clarify that the government’s restraint and patience were not signs of weakness or inaction. Instead, this approach was a calculated, round-the-clock effort to seek a peaceful resolution through patience and adherence to the rule of law. It sustained international engagement, rather than resorting to military force or aggressive rhetoric, to achieve a lasting peace agreement, which was signed on October 26, 2025. To an extent, this conflict provided leverage for Cambodia to further a good relationship with the United States. Prime Minister Hun Manet has strategically used geopolitical events to leverage diplomatic goodwill, including by publicly acknowledging and thanking the U.S. administration for its role in securing and facilitating the ceasefire agreement. To demonstrate his gratitude, he nominated President Trump for the Nobel Peace Prize on August 7, 2025.²¹

This strategy is seen as a sophisticated move to secure economic relief, while avoiding damage to relations with Cambodia’s long-term partner, China. By publicly framing the U.S. intervention as a momentum of “peace diplomacy,” Cambodia appeals to international sympathy and critically to the United States that punitive economic tariffs applied to a government currently managing a fragile border truce risk regional destabilization, a cost the United States would be hesitant to incur in a strategically vital area. The strategic balancing that Cambodia demonstrates here is that the interaction between Cambodia and the United States was kept on a transactional basis, with Cambodia showing tactical gratitude to the United States for its support of the ceasefire without alienating or upsetting its most significant partner, China.

Additionally, President Trump’s talk of tariffs and the subsequent deal between the United States

¹⁹ Coby Hobbs, “US State Department Labels Cambodia ‘State Sponsor’ of Human Trafficking,” *Cambojanews.com*, October 2025, <https://cambojanews.com/us-state-department-labels-cambodia-state-sponsor-of-human-trafficking/>.

²⁰ Sreypich Mao, “Cambodia Stays Tier 3 as US Report Slams Human Trafficking Failures,” *Kiripost*, 2024, <https://kiripost.com/stories/cambodia-stays-tier-3-as-us-report-slams-human-trafficking-failures>.

²¹ “Cambodia PM Says He Has Nominated Donald Trump for Nobel Peace Prize,” *CNN*, August 8, 2025, <https://edition.cnn.com/2025/08/07/world/cambodia-trump-nobel-prize-intl-hnk>.

and Cambodia, discussed above, have served as an open pathway toward reconnecting with the U.S. military. This includes the notable U.S. Navy warship visit to Sihanouk port for the first time in eight years, as well as the discussions between the U.S. defense attaché and Royal Cambodian Armed Forces (RCAF) Commander-in-Chief on resuming the Angkor Sentinel joint military exercise. This is significant because Cambodia suspended military cooperation with the United States in 2017.²² By July 2025, high-level bilateral defense dialogues were underway, explicitly exploring “potential pathways” to revive the exercise, and confirming renewed momentum in defense collaboration after eight years without contact.

After the signing of the Peace Treaty between Cambodia and Thailand in Malaysia on October 26, 2025, the United States lifted its arms embargo on Cambodia, a restriction imposed since 2018 due to U.S. claims of China’s growing military influence in the country at the time.²³ In addition, the United States will also increase seats for Cambodian officers at U.S. military colleges such as West Point and the Air Force Academy, unlocking new opportunities for both practical and diplomatic purposes for Cambodia, which signals a major restoration between the two countries after years of strained relations. At the same time, the United States and Cambodia announced the resumption of the Angkor Sentinel exercise.

This military rapprochement between the United States and Cambodia should be understood in two ways. On the one hand, Cambodia is seeking more security assistance from the United States on the defense front, as China remains quiet. The recent Cambodia-Thailand border conflict starkly exposed Cambodia’s limited military capability and technological gap, a core vulnerability that has driven Phnom Penh’s military re-engagement with the United States. The two nations had asymmetric forces, with Thailand possessing a larger arsenal than Cambodia. Thailand is equipped with up-to-date weapons from various countries, including the U.S.-made F-16 Fighting Falcons as well as Swedish-made JAS-39 Gripen, Israeli Negev machine guns, Chinese-made T-69 tanks, domestically produced suicide drones, and precision glide bombs, alongside a variety of tanks and armored vehicles.²⁴ Cambodia, by contrast, is still heavily reliant on outdated Chinese weaponry, like Chinese-made PHL-90 122mm rocket launchers and HQ-12 (KS-1C) surface-to-air missiles alongside multiple models of Type 56 rifles, 69-1 rocket launchers, LG4 grenade launchers, Type 54 pistols, and even a battered M16 that was almost entirely Chinese in origin.²⁵

²² Torn Chanritheara, *Cambodia, U.S. Reignite Defense Talks, Eye Angkor Sentinel’s Return*, Cambodianess. <https://cambodianess.com/article/cambodia-us-reignite-defense-talks-eye-angkor-sentinels-return>.

²³ Simon Lewis and Doina Chiacu, “U.S. Imposes Arms Embargo on Cambodia over Chinese Military Influence,” *Reuters*, December 8, 2021, <https://www.reuters.com/world/asia-pacific/us-imposes-new-restrictions-cambodia-over-human-rights-corruption-commerce-2021-12-08/>.

²⁴ Zhen Han, “‘Civil War of Chinese Weapons?’ Thai-Cambodian Clash Exposes a Regional Divide in Military Modernization,” *The China-Global South Project*, July 30, 2025, <https://chinaglobalsouth.com/2025/07/31/china-weapons-thailand-cambodia-conflict-analysis/>.

²⁵ *Ibid.*

In Cambodia's efforts to fight Thailand, China plays no significant role. Although Cambodia is considered an "ironclad" ally, China would neither publicly confirm the arms it allegedly sent to Cambodia weeks before the fighting nor stop selling weapons to Thailand. Moreover, its "neutrality" stance on the Cambodia-Thailand border conflict further serves as an eye-opener for how shieldless Cambodia truly is, as it is evident that China views Thailand as a valuable customer whose business it will not jeopardize, even if it risks arming a party in conflict with its "ironclad" ally, Cambodia. This explains the need for Cambodia to re-engage with the United States, as the lingering ambiguity and unresolved issues between Cambodia and Thailand continue to pose a significant threat to Cambodia, especially given the detainment of 18 Cambodian soldiers at the Thailand border who have yet to arrive home since July 28, 2025, and Thailand's inconsistency in its diplomacy, including the recent halt of the peace agreement on November 10, 2025. This has further illustrated the need for Cambodia to seek security assurances from the United States.²⁶

On the other hand, the Cambodian government recognizes that the United States routinely ties economic access to geopolitical conduct, meaning a reconciliatory security partnership is required to unlock trade relief. A series of actions and rewards confirms this transaction. Once Cambodia signaled its commitment to resume the "Angkor Sentinel" joint military exercise on November 3, 2025, the United States offered immediate, high-value rewards, lowering its tariff rate to a manageable 19%, granting more RCAF seats at U.S. military colleges (West Point, Air Force Academy), and lifting the arms embargo imposed since 2021 on November 7, 2025.²⁷ These U.S. rewards were not random; they were direct compensation for Cambodia's security diversification away from China, which in turn protected the economy. In the long run, by successfully diversifying its defense ties away from an exclusive reliance on China, Cambodia is immunizing its economy. If Cambodia were to sustain military cooperation with the United States, it would serve as a powerful deterrent against politically motivated sanctions and trade restrictions that Washington might otherwise impose solely on a China-aligned state, thereby securing Cambodia's vital Western market access and ensuring long-term economic stability.

Economic Diversification

As touched on above, Cambodia is pursuing further economic diversification. Economic diversification is more than just a monetary policy. It serves as a strategic foreign policy tool. Its concept involves expanding a country's economy by developing a wide range of industries and sectors rather than relying on a few dominant ones. It thus helps broaden the nation's income growth, generate a stable path for equitable growth and development, and strengthen resilience to external threats. This concept is particularly crucial for Cambodia's economic growth and stability amid global geopolitical and

²⁶ Al Jazeera, "Thailand Suspends Cambodia Peace Deal after Landmine Blast," Al Jazeera, November 10, 2025, <https://www.aljazeera.com/news/2025/11/10/thailand-suspends-cambodia-peace-deal-after-landmine-blast>.

²⁷ Reuters Staff, "US Lifts Arms Embargo on Cambodia after Trump Oversees Ceasefire Deal," *Reuters*, November 6, 2025, <https://www.reuters.com/world/asia-pacific/us-lifts-arms-embargo-cambodia-after-trump-oversees-ceasefire-deal-2025-11-06/>.

geoeconomic uncertainty between the United States and China.

Cambodia's markets have long been both overly reliant on those two major powers: the United States and China. This creates a striking asymmetry of dependence. Cambodia is dependent on Chinese foreign direct investment (FDI) for capital and infrastructure. Data from 2024 shows that Chinese investments remain the most significant source, valued at \$3.43 billion and accounting for nearly 50% of the total approved foreign investment.²⁸ Conversely, Cambodia is simultaneously reliant on the U.S. market for its core industrial output. Garments and related products, which employ nearly one million workers, are heavily exported to the United States, Cambodia's number one market, with exports reaching about \$9.9 billion in 2024, accounting for approximately 38% of Cambodia's exports.²⁹ This concentration makes the entire economy acutely sensitive to U.S. and China political decisions, as tariff threats or sanctions can trigger mass unemployment and economic downturn. With this information in mind, Cambodia has been working on diversifying its export markets.

However, the process has been relatively slower than in other Asian countries. According to the Ministry of Commerce, successful cases that highlight Cambodia's economic diversification efforts include the increasing export of non-garment manufacturing products such as bicycles and parts, electric goods and parts, solar panels, electric cables and wires, and vehicle parts and tires, all of which rose by 7 percent to a combined \$1,473 million in the first semester of 2025, increasing from \$1,376 in the same period last year.³⁰ Other than the United States, the markets for these products include the EU, Japan, and Korea (as well as Thailand before the war). Every dollar earned from these diversified, higher-value exports makes the overall economy less sensitive to a punitive U.S. tariff shock on the vulnerable garment sector.

On the other hand, in terms of FDI, China remains the largest investor, supplying approximately 50% (\$3.43 billion) of total approved capital (\$6.9 billion) in 2024, as noted above. Domestic investors accounted for another 34%. The remaining percentage reflects the success of Cambodia's diversification hedge. Key strategic partners, such as Vietnam (8.11%) and Singapore (3.83%), along with investors from South Korea and Japan (4%), are becoming significant contributors.³¹ Ultimately, Cambodia is actively pursuing export and market diversification as a strategic hedge to neutralize the political leverage of its major trading partners, thereby bolstering its national resilience and political autonomy in an unstable geopolitical environment.

²⁸ Khmer Times, "China Remains Cambodia's Largest FDI Source," January 13, 2025, <https://www.khmertimeskh.com/501623409/china-remains-cambodias-largest-fdi-source/>.

²⁹ Arnaud Darc, "Opinion: Impact of a 36% US Tariff on Cambodian Exports – A Comparative Analysis," Cambodia Investment Review, July 9, 2025, <https://cambodiainvestmentreview.com/2025/07/09/opinion-impact-of-a-36-us-tariff-on-cambodian-exports-a-comparative-analysis/>.

³⁰ Pengly Horng, "Exports of Non-Garment Products Surge," *Khmer Times*, August 5, 2025, <https://www.khmertimeskh.com/501733063/exports-of-non-garment-products-surge/>.

³¹ Sinorn Thang, "414 Investment Projects Worth \$6.9 Billion Approved in 2024," Kiripost, 2024, <https://kiripost.com/stories/414-investment-projects-worth-69-billion-approved-in-2024>.

Strengthening Internal Structural Resilience

There is no doubt that internal structural resilience is essential when dealing with uncertainty. The Cambodian government has adopted a policy known as the Pentagonal Strategy, phase 1, which is centered on growth, employment, equity, efficiency, and sustainability. The purpose of this policy is to lead Cambodia toward becoming a high-income country by 2050 through the building of structural resilience.³² That said, the focus of the strategy's five key priorities is technology and efficiency. The reforms, meaning the Cambodian government's strong efforts to invest more in technology development and strengthening efficiency of the government's work, represent a strategic, proactive effort to manage the geopolitical rivalry between the United States and China by reducing Cambodia's economic and political vulnerability to external shocks and leverage.

The technology priority focuses on digital transformation and industrial upgrading to accelerate market diversification. As the world evolves with Fourth Industrial Revolution (4IR) technologies such as AI and advanced manufacturing, Cambodia is adopting major policy frameworks, including the Digital Economy and Society Policy Framework 2021–2035. This framework, which seeks to (1) develop digital infrastructure, (2) build digital governance, and (3) foster digital innovation, is the operational blueprint for moving beyond traditional, low-wage industries.³³ This effort is evident in the establishment of 21 new international standards (ISO, IEC, and ISO/IEC) across key areas like electronics, automotive parts, and textiles.³⁴ This commitment led Cambodia to upgrade to full ISO membership in October 2025, laying the foundation for higher-value-added manufacturing.³⁵ By focusing on advanced standards, the government seeks to shift the economy from tariff-vulnerable sectors to more competitive industries, ensuring Cambodia remains an attractive destination for high-quality investors from partners like RCEP member states, South Korea, and Japan, thereby accelerating diversification and fundamentally reducing dependence on the United States as a single export destination.

The efficiency priority is focused on good governance and risk mitigation, directly targeting the removal of political pretexts used by Western powers to impose sanctions. Cambodia demonstrated its commitment by successfully strengthening its AML/CFT (Anti-Money Laundering/Countering the Financing of Terrorism) regimes. This progress, highlighted in the U.S. Department of State's Investment Climate Statements, led to Cambodia's removal from the Financial Action Task Force

³² Sereyrath Sok, "Pentagonal Strategy-Phase I Focuses on Five Key Priorities," Cambodian People's Party website, August 24, 2023, <https://www.cpp.org.kh/en/details/355509>.

³³ "Cambodian Digital Government Policy 2022-2035 [English]," [Opendevdevelopmentcambodia.net](https://data.opendevdevelopmentcambodia.net/laws_record/cambodian-digital-government-policy/resource/0d0ed197-9361-4b58-8123-689e2bfbd54), 2022, https://data.opendevdevelopmentcambodia.net/laws_record/cambodian-digital-government-policy/resource/0d0ed197-9361-4b58-8123-689e2bfbd54.

³⁴ Sommana Yan, "Cambodian Government Approves 21 New Standards to Enhance Industrial Competitiveness," *Construction & Property News*, September 9, 2025, <https://construction-property.com/cambodian-government-approves-21-new-standards-to-enhance-industrial-competitiveness/>.

³⁵ May Kunmakara, "Cambodia Marks First World Standards Day, Celebrates ISO Full Membership to Boost Industrial Competitiveness," *Kampuchea Thmey Daily*, October 15, 2025, <https://www.kampuchearthmey.com/kpt-english/1004170>.

(FATF) “grey list” in February 2023, a list the country had struggled to be removed from since 2019.³⁶ Subsequently, Cambodia was delisted from the EU’s high-risk third-country jurisdictions in May 2023.³⁷ Since the EU is also one of Cambodia’s major trading partners, accounting for approximately 16 percent of the kingdom’s total exports in the first nine months of 2025, this action has a profound effect as it removes a key political restriction previously used to impose trade restrictions. The efficiency priority also significantly increases investor confidence, particularly for those looking to bypass the compliance burdens associated with countries on the grey list.³⁸

Cambodia’s Underlying Constraints

Cambodia’s Reliance on China’s Raw Materials for Its Garment Sector

China has been Cambodia’s closest and most consistent ally since the establishment of formal diplomatic relations in 1958.³⁹ Between 2000 and 2021, China allocated \$17.7 billion in loans, grants, and donations to Cambodia under the Belt and Road Initiative (BRI).⁴⁰ Recently, amidst the Cambodia-Thailand border conflict, China granted Cambodia approximately \$2.8 billion for humanitarian aid while reiterating its pledge of “ironclad friendship.”⁴¹

According to a Cambodian General Department of Customs and Excise (GDCE) report, in the first half of 2025, Cambodia-China bilateral trade reached \$9.2 billion, up 26 percent from the same period last year. Cambodia’s exports to China slightly declined by 7.9 percent year-on-year to \$750.61 million, while imports from China rose approximately 31 percent.⁴² While this report underscored the strength of Cambodia-China economic relations, it revealed a more profound structural vulnerability: Cambodia’s heavy reliance on Chinese raw materials for its garment exports to the United States and the EU. However, the United States under Trump frames China as its primary rival. This structural contradiction places Phnom Penh in a difficult balancing act: leaning too far toward Washington risks jeopardizing billions of dollars in Chinese projects, while leaning too heavily on Beijing risks losing preferential access to U.S. and Western markets. Cambodia, therefore, faces an enduring dilemma between its economic lifeline to China and potential diversification opportunities with the United States.

³⁶ Chanrithera Torn, “Cambodia Removed from the FATF’s Grey List,” *Cambodianess*, February 25, 2023, <https://cambodianess.com/article/cambodia-removed-from-the-fatfs-grey-list>.

³⁷ European Commission, “Daily News 17 / 05 / 2023,” https://ec.europa.eu/commission/presscorner/detail/en/mex_23_2805.

³⁸ Huaxia, “Cambodia’s Export to EU up 13.7 Pct in 9 Months,” *News.cn*, October 22, 2025, <https://english.news.cn/asiapacific/20251023/3a29df4a01684e8682485a63c0c672fd/c.html>.

³⁹ “China People’s Daily Written Interview with H. E. Prak Sokhonn, Senior Minister and Minister of Foreign Affairs and International Cooperation of the Kingdom of Cambodia,” n.d., <https://mfaic.gov.kh/publish/wp-content/uploads/2018/07/SMs-Interview-with-Chinas-Peoples-Daily.pdf>

⁴⁰ Sangeetha Amarthalingam, “Cambodia and China – An Ironclad Friendship Built on Aid, Credit and Trust,” *Kiripost*, 2024, <https://kiripost.com/stories/cambodia-and-china-an-ironclad-friendship-built-on-aid-credit-and-trust>.

⁴¹ Khuon Narim, “China Pours in \$2.8M Aid for Border Affected Families, Reiterates Support for Cambodia to Be Self-Reliant,” *Cambojanews.com*, September 2, 2025, <https://cambojanews.com/china-pours-in-2-8m-aid-for-border-affected-families-reiterates-support-for-cambodia-to-be-self-reliant/>.

⁴² Pengly Horng, “Cambodia-China Trade up 26%, Tops \$9.2B in H1,” *Khmer Times*, July 15, 2025, <https://www.khmertimeskh.com/501717596/cambodia-china-trade-up-26-tops-9-2b-in-h1/>.

Former Prime Minister Hun Sen’s Lingering Influence

Despite Prime Minister Hun Manet’s leadership since 2023, former Prime Minister Hun Sen remains a dominant force within the Cambodian People’s Party and continues to chair the Senate. His political influence is deeply tied to Cambodia’s alignment with China, which has provided the ruling party with partially conditional financial and diplomatic support. This institutional continuity ensures that Chinese influence remains embedded in Cambodia’s decision-making structures. Even if Hun Manet wishes to broaden ties with the United States, his room to maneuver is constrained by party loyalty, elite networks, and the political capital Hun Sen has built with Beijing. China’s presence in Cambodia is physically and symbolically entrenched through high-profile BRI projects such as the Sihanoukville Expressway, Phnom Penh and Siem Reap international airports, and the Funan Techo Canal, which serve as visible reminders of China’s role in shaping Cambodia’s development trajectory.⁴³ The construction of Xi Jinping Boulevard in Phnom Penh, named in honor of the Chinese president, further reflects the symbolic depth of the bilateral relationship. These projects not only enhance connectivity but also tie Cambodia’s economic future to Chinese capital, creating sunk costs that limit how far Phnom Penh can shift toward the United States without incurring massive economic risks.

Hun Manet’s administration requires skillfully leveraging strategic ambiguity in his political moves to continue his balancing act and reconnect with the West without provoking his father or China. The most crucial aspect lies in the framing of his political agenda. He justifies the concessions made to the United States as an economic necessity to safeguard the domestic economy, arguing that sacrifices like the multi-billion-dollar Boeing purchase and new anti-transshipment laws are a pragmatic “sunk cost” necessary to protect the garment export industry vital for economic stability, which is a core pillar of Hun Sen’s legacy. He also employs strategic ambiguity through dual sourcing, notably in aviation, where Cambodia’s national carrier has negotiated to purchase the U.S. Boeing 737 MAX 8 for its international fleet while simultaneously signing an MoU for 20 Chinese COMAC C909 regional jets, ensuring both major powers receive significant, high-profile contracts.

Cybercrime

Pervasive cybercrime operations constitute another underlying constraint to Cambodia. They are a profound structural issue, directly contradicting Cambodia’s desire to strengthen its financial and security ties with the United States. According to the FBI’s annual International Crime Report, the United States logged a \$16.6 billion loss in connection with online scams in 2024, a staggering increase of 33 percent from the previous year. Adding insult to injury, the U.S. government estimated that Americans lost at least \$10 billion to Southeast Asia-based scam operations in 2024, a 66 percent

⁴³ Jayant Menon, “The Belt and Road Initiative in Cambodia: Costs and Benefits, Real and Perceived,” March 2023, https://www.iseas.edu.sg/wp-content/uploads/2023/03/ISEAS_EWP_2023-1_Menon.pdf.

increase over the prior year, naming Cambodia as the main operation base.⁴⁴ The U.S. Department of the Treasury's Office of Foreign Assets Control (OFAC) and Financial Crimes Enforcement Network (FinCEN) have recently begun work in close coordination with the United Kingdom's Foreign, Commonwealth, and Development Office (FCDO) to take actions against these criminal networks, and have implemented sanctions against approximately 146 targets within the Prince Group Transnational Criminal Organization, led by Chen Zhi. They have also severed the Huione Group (suspected to be linked to a cousin of former Prime Minister Hun Sen) from the U.S. financial system, based on the finding that the Group laundered at least \$4 billion in illicit proceeds, including funds from "pig butchering" cyber scams and the Democratic People's Republic of Korea (North Korean) cyber heists between January 2021 to August 2024.⁴⁵ The U.S. government has explicitly linked these scam centers to Transnational Criminal Organizations (TCOs) that employ modern-day slavery and are responsible for billions in losses to American citizens. The combination of cybercrime and human rights abuses in Cambodia, as highlighted in the U.S. State Department's Trafficking in Persons Report which ranks Cambodia in Tier 3 (the lowest ranking), further complicates the relations between Cambodia and the United States, as it suggests the United States believes the problem is more systemic and politically protected, not just a law enforcement failure.

Conclusion

This paper has examined the complex and evolving relationship between Cambodia and the United States in the context of Donald Trump's return to the presidency in January 2025. The introduction outlined the historical trajectory of Cambodia-U.S. relations, characterized by oscillation between cooperation and estrangement. The ascension of Hun Manet, the eldest son of former Prime Minister Hun Sen, has led to signs of a turning point in diplomatic engagement. This shift raises critical questions about Cambodia's ability to navigate its distinct yet intertwined relationships with both the United States and China, especially amid shifting geopolitical dynamics.

The analysis of Trump 2.0's trade policy revealed the implications of an assertive economic agenda on Cambodia's socio-economic landscape. The threat of the introduction of a universal 49% tariff on Cambodian exports, even though it was reduced to the 19%, along with the dismantling of USAID, have posed significant risks, particularly for the garment industry, a cornerstone of Cambodia's economy. This section underscored the challenges posed by the expiration of the Generalized System of Preferences (GSP), which historically facilitated duty-free access for thousands of Cambodian products to the U.S. market. The substantial tariff increases threaten to disrupt export revenues, jeopardizing employment for hundreds of thousands of workers in the garment and footwear sectors.

⁴⁴ "U.S. And U.K. Take Largest Action Ever Targeting Cybercriminal Networks in Southeast Asia," U.S. Department of the Treasury, October 14, 2025, <https://home.treasury.gov/news/press-releases/sb0278>.

⁴⁵ Ibid.

In response to these challenges, Cambodia's strategic concessions to the United States were discussed in detail. The decision to eliminate tariffs on American imports and the commitment to procure Boeing aircraft represent significant diplomatic gestures aimed at securing favorable trade terms. These initiatives are not mere economic maneuvers; they reflect Cambodia's broader strategy to reposition itself in an increasingly competitive global marketplace. This section highlighted the delicate balancing act Cambodia must perform to secure its economic interests while maintaining its historical alliances, particularly with China.

The examination of challenges and opportunities further emphasized the structural vulnerabilities inherent in Cambodia's economic framework. Cambodia's reliance on Chinese investment, juxtaposed with the need to diversify trade partnerships, is acute. Moreover, the pervasive issues of cybercrime and human trafficking were identified as critical impediments to enhancing Cambodia's international reputation and diplomatic leverage. The Cambodian government's efforts to address these problems are essential to foster a stable business environment that attracts legitimate investment.

The future direction of Cambodia's foreign policy suggests an inclination toward hedging, reinforcing relationships with both the United States and China. The phrase "quiet but not silent," articulated by Prime Minister Hun Manet, encapsulates a nuanced diplomatic approach that seeks to balance national interests without antagonizing either superpower. This paper indicates that Cambodia's path forward will require astute governance and strategic engagement, with the potential for both economic growth and political stability, provided it manages its international relationships effectively. In summary, the interplay of domestic politics, economic imperatives, and geopolitical realities will critically shape Cambodia's trajectory in the coming years.

In light of these points, the Cambodian government can consider these suggestions in navigating the complex geopolitical landscape effectively. First, Cambodia should pursue comprehensive trade agreements with a wider range of countries to reduce its economic reliance on both the United States and China. Second, enhancing internal governance, particularly regarding anti-corruption measures and economic transparency, will bolster investor confidence and facilitate a more favorable business climate. Third, implementing robust programs to address cybercrime and human trafficking will not only improve Cambodia's international standing but also ensure compliance with U.S. standards for economic partnership. Finally, strengthening diplomatic communications with both the United States and China while pursuing a hedging strategy will enable Cambodia to maintain its sovereignty and better navigate the intricacies of global politics. Together, these recommendations aim to foster economic resilience and diplomatic stability.