

THE EVOLVING TRADE AND ECONOMIC PARTNERSHIP BETWEEN CAMBODIA AND VIETNAM

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Abstract

Economic relations between Cambodia and Vietnam are characterised by strong trade ties, investment collaboration, and shared economic interests, though not without contention. The two countries occupy distinct positions within regional integration processes, deriving differing benefits from their interactions. The study aims to analyse the evolution of Cambodia-Vietnam economic relations, focusing on bilateral trade dynamics, investment patterns, and ongoing integration processes that affect both economies. The research employs various statistical analyses, utilising data from reputable sources such as the World Bank and ASEANstats. It examines trade and investment activities from the 2000s to the present, assessing both qualitative and quantitative indicators. The findings indicate a significant increase in bilateral trade, with Vietnam emerging as Cambodia's third-largest trading partner. However, the study reveals persistent asymmetries in trade data reported by each country, often highlighting frequent statistical discrepancies. It also discusses the predominance of raw material exports from Cambodia and the implications of substantial Vietnamese investments across sectors of the Cambodian economy. The article concludes that while the economic cooperation has brought benefits such as job creation and infrastructure development in Cambodia, it also presents threats, notably the risk of Cambodia becoming raw material appendage to Vietnam. Enhancing the efficiency of these economic relations, developing infrastructure, and fostering deeper bilateral cooperation are posited as crucial for the sustainable growth of both nations.

Keywords: Cambodia, economic ties, integration, investments, trade, Vietnam

INTRODUCTION

The bilateral relationship between Cambodia and Vietnam has had its ups and downs and can be characterised as a love-hate relationship in one bottle (Heng, 2022). These two Southeast Asian countries have had centuries of complicated exchanges, alliances, and conflicts that have shaped their current relationship. Despite unresolved and sensitive issues, both countries have managed to maintain and strengthen normal and constructive relations over the past decades.

During the 1990s, economic cooperation between the countries was sluggish, hindered by underdeveloped markets, economic backwardness, a low rate of accumulation and, consequently, the inability to export capital. Most interactions occurred through informal cross-border trade, which was largely unregulated, uncontrolled and undeclared. Experts indicate the bulk of trade transactions took place within the shadow sector. It was during these years that the widespread smuggling of timber resources from Cambodia to Vietnam emerged, a practice frequently reported to involve officials from both sides.

During the market reforms, both governments prioritised economic feasibility, sustainable growth, and poverty alleviation. While initially not focal partners, strengthening comprehensive economic cooperation with neighbouring states became an important foreign policy objective for Cambodia and Vietnam within the framework of regional integration.

The period 2013-2016 witnessed notable fluctuations. Contributing factors included global market conditions, such as declining prices for mineral fuel, one of the leading items of Vietnamese exports to Cambodia, alongside political considerations. During these years, bilateral relations were increasingly shaped by China's influence. China's growing presence in Cambodia and its substantial economic support had already prompted concerns in Vietnam in preceding years, however, Cambodian's alignment with Chinese foreign policy interests at the ASEAN summit in 2012 further unsettled Hanoi even more. The years 2012-2014 saw a discernible cooling of relations, characterised by reduced high-level visits and diminished investment and trade flows. Mass protests by Cambodia's political opposition, which traditionally employed anti-Vietnamese rhetoric, also contributed to a certain discord in relations during these years. Notably, in 2014, there were mass protests throughout the Cambodian-Vietnamese investment forum in Phnom Penh, during which Vietnamese businesses were reportedly affected (Wallace & Vannarin, 2014).

Tensions persisted until 2016, when the Cambodian delegation was again perceived as engaging in obstructive activities and advancing Chinese interests at an ASEAN meeting. Critical commentary circulated extensively on the official

Facebook page of Cambodian Prime Minister Hun Sen, with Vietnamese commentators accusing him of betrayal and invoking Vietnam's role in his rise to power.. A discernible shift emerged only in 2017, coinciding with large-scale celebrations marking the 50th anniversary of bilateral relations. This positive development followed renewal within Vietnamese political establishment in 2016. Subsequently, from 2016 to 2023, a clear intensification of relations was observed.

In 2022, commemorating the 55th anniversary of bilateral relations, both parties affirmed their commitment to developing ties in the spirit of "good neighbourliness, traditional friendship, comprehensive cooperation and long-term stability"(Ministry of Foreign Affairs and International Cooperation, 2021, p. 3). They particularly highlighted the dynamically strengthening economic dimension of their relations (Ministry of Foreign Affairs and International Cooperation, 2021, p. 4).

By 2024, however, clouds loomed over bilateral relations and renewed strains emerged. This shift was largely attributed to the commencement of the Funan Techo Canal project, according to which the 180-kilometre waterway will link two major rivers in the south of the country, the Mekong and Bassac, with the Gulf of Thailand. It will enable Cambodia to export directly to global markets, thereby reducing its reliance on Vietnamese ports, which currently handle one-third of Cambodia's exports. This project raises serious concerns in Vietnam and can affect economic ties.

On 20 September 2024, Cambodian Prime Minister Hun Manet announced the country's withdrawal from the Cambodia-Laos-Vietnam Development Triangle. This decision represented a significant setback to Hanoi, comparable to the impact of the commencement of the Funan Techno Canal project. Vietnam, perceived to view Cambodia and Laos as junior partners, aimed to utilise the agreement to enhance economic integration with these countries while maintaining its political influence. This strategy was largely predicated on expanding Vietnamese influence throughout the three states. However, amid growing Chinese influence, Phnom Penh has increasingly pursued a more independent policy towards Vietnam.

Analysing Cambodian-Vietnamese relations at the present juncture holds particular relevance, given their substantial influence on the internal political stability of both nations and the wider region.

MATERIALS AND METHODS

Literature review

Despite the topic's relevance, relatively few comprehensive studies exist on contemporary Cambodia-Vietnam relations. Nonetheless, several political science works have addressed specific aspects of bilateral interactions.

Of particular note is the Swedish researcher Ramses Amer's analysis of the 1990s border conflict (Ramses, 1997). In this article, the author provides a detailed chronology of the conflict that arose between the countries in 1996, after the Vietnamese side was accused of violating Cambodian borders. He argues that the conflict stemmed from the political ambitions of the first Prime Minister of Cambodia, Prince Norodom Ranariddh, who sought to undermine co-Prime Minister Hun Sen's position by portraying him as an advocate for Vietnamese interests – a strategy in which he ultimately failed.

Another significant contribution is the work of American political scientist Carlyle Thayer, a prominent specialist on Southeast Asian studies. He examined interstate relations between Cambodia and Vietnam in the early 2000s, analysing political and economic dimensions alongside defence cooperation between the Ministries of Defence of both countries (Thayer, 2012). He identifies two persistent challenges in relations between the neighbours: the unresolved border issue and the status of the Vietnamese community residing in Cambodia.

In recent years, there has been active development in national historiography. In 2017, articles analysing Cambodia's foreign policy were published, featuring contributions primarily from Cambodian scholars based abroad. The section devoted to relations with Vietnam was written by Cambodian political scientists Kry Suyheang and Chy Terith. The authors characterise contemporary bilateral relations as "bittersweet", possessing a "complex duality", noting that while both governments have achieved significant progress in resolving existing conflicts, they continue to face new challenges. The authors further observe Cambodia's increasing orientation towards China, potentially at the expense of engagement with its long-standing partners and distancing itself from them (Kry & Chy, 2018).

The collection also includes an article by Vietnamese researcher Nguyen Vu Tung. The author identifies a positive trend in bilateral relations in recent years, particularly within the economic sphere. However, in his opinion, the relations between the two countries are currently strongly influenced by the rivalry between major powers in the region, namely the United States and China. He argues This rivalry directly affects both countries' foreign policy, especially Cambodia's, which often advocates for Chinese interests at the regional level. It is noteworthy that in general, Khmer researchers either omit discussion of the Chinese factor in the Cambodia's foreign policy, or interpret it positively. Their

Vietnamese counterparts, however, observe that China's rise has demonstrably altered, Cambodia's foreign policy approach (Nguyen, 2018).

In a more recent publication, Kimkong Heng has characterised the current context of bilateral relations between the countries as robust and deepening, outlining key contentions including unresolved land border demarcation and issues surrounding ethnic Vietnamese immigrants in Cambodia (Heng, 2022).

Works addressing Vietnam's integration into ASEAN by Nguyen Hong Son, Nguyen Anh Thu, Vu Thanh Huong explore facets of economic interaction between Cambodia and Vietnam (Nguyen et al., 2015).

Mom Mit, Prom Thary and Meas Somica examine Cambodia's challenges in maximising its agricultural potential relative to Vietnam, which has successfully capitalised on its agricultural sector (Mit et al., 2025). The publication underscores constraints hindering Cambodia's growth, such as inadequate infrastructure, limited access to technology, and a lack of investment. While Vietnam has enhanced its agricultural productivity and export capacity, Cambodia struggles with systematic inefficiencies and foreign market dependency. The article emphasises Cambodia's need to strengthen its agricultural policies and infrastructure to improve regional competitiveness.

Databases and Methods

The author's focus is to analyse trade and investment activities between Cambodia and Vietnam, their evolution, examining the advantages and disadvantages. The chronological framework of the study covers the period from the 2000s, when trade transitioned from a sluggish to an active stage, to the present day. Foreign trade and investment were analysed using statistical data published by the World Bank, the ASEANstats, and the national agencies of both countries.

Structural and dynamic indicators were employed to assess trade development. Structural indicators characterise the composition of the trade portfolio and component weightings, while dynamic indicators reveal emergent trends in foreign economic activity.

International trade participation can generate an additional positive effect that contributes to the economic growth of countries. However, such gains are contingent upon developing trade relations based on comparative advantages, wherein both the exporter and importer of products benefit. Guidance on selecting optimal comparative advantage indices remains limited. The identified comparative advantages of export commodity groups were assessed using the Balassa index, which remains the most widely used in comparative advantage studies. This index is defined as the ratio of the share of a product in a country's

exports relative to the share of this product in world exports (a value of the index above one indicates a comparative disadvantage, while a value below one reveals a comparative disadvantage):

$RCA_{i,c} = (x_{ic}/X_i) / (X_c/X)$, where $x_{i,c}$ is the value of exports for product i from country c , X_i is value of world exports for product i , X_c is the value of total exports for country c , and X is value of total world exports.

Qualitative aspects of integration processes include the deep mutual interweaving of reproduction processes between countries. Deepening integration necessitates growth in intra-industry trade volumes, which directly influences bilateral trade – one of the most important indicators of the success of integration processes and an indirect measure of industrial cooperation. The nature of trade was assessed using the Grubel-Lloyd index:

$GL = ((X_i + M_i) - |X_i - M_i| : (X_i + M_i))$, where X_i is the export of commodity group i , M_i is the import of commodity group i (Ministry of Foreign Affairs and International Cooperation, 2021).

The index measures the degree of trade within the same branch at the product level, i.e. the intra-industrial trade. Mechanically, the share of intra-industry trade rises with the level of sectoral aggregation (Grubel& Lloyd, 1975).

RESULTS AND DISCUSSION

Bilateral trade

Cambodia's foreign trade is characterised by a very high degree of concentration and largely depends on its leading partners. This is reflected in the average value of the Herfindahl-Hirschman index (Burova, 2018). The top four trading partners—namely China, the US, Vietnam, and Thailand—collectively account for 69% of the total trade turnover.

Vietnam and Cambodia have been actively enhancing cooperation in trade, with trade performance steadily increasing in recent years, contributing to strengthening each other's position in foreign trade. By 2023, Vietnam has become Cambodia's third trading partner in the world, trailing only the PRC and the US. Cambodia's position in the Vietnamese foreign trade complex is more modest, ranking fifteenth among Vietnam's trading partners (ASEANstats, n.d.).

The analysis of bilateral trade cooperation reveals serious asymmetries in the mirror statistics of the countries. Thus, according to Cambodia's data, bilateral trade turnover increased more than 23-fold between 2005 and 2022 - from \$0.2 billion to \$4.7 billion, representing an average growth rate of 21.8%. Vietnamese statistics, however, report an 18-fold increase - from \$0.6 billion to \$10.5 billion,

expanding annually by 19.6% (ASEANstats, n.d.). It is important to note the nearly threefold difference in the assessment of bilateral flows, which warrants further investigation into its causes.

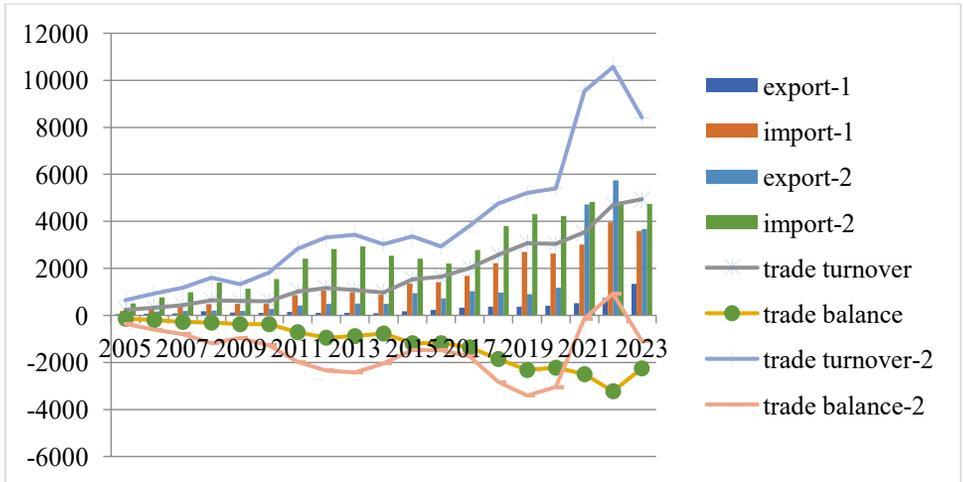


Figure 1: Dynamics of trade between Cambodia and Vietnam, USD \$ million

Note: 1 - according to Cambodian agencies, 2 - according to Vietnamese agencies.

(Source: ASEANstats [n.d.])

Despite the low base effect, the rapid expansion of trade relations is primarily due to the intensification of bilateral trade, which is reflected in its high growth rates in recent years. Thus, for the period 2018-2022, Cambodian data indicate an average annual expansion of 21.6%, while Vietnamese data show a growth rate of 33.7%, representing a period of the greatest dynamics of trade relations. However, in 2023, there was a contraction in trade according to Vietnamese data and a very slight increase according to Cambodian data.

Up until recent years, bilateral trade has consistently resulted in a deficit for Cambodia. According to Cambodian agencies, in 2022, the imbalance has already exceeded \$3 billion (with exports to Vietnam at \$738 million, and imports at \$3.96 billion) (ASEANstats, n.d.). Conversely, Vietnamese data indicate a tendency toward trade balance: in 2021, Cambodia reduced the deficit to \$119 million (with exports to Vietnam amounting to \$4.7 billion and imports at \$4.8 billion) (General Statistics Office of Vietnam, 2022, pp. 633, 643). This trajectory proved unsustainable, with Vietnamese exports again exceeding Cambodian imports during 2022–2023..

Vietnam's export to Cambodia are dominated by manufactured goods, primarily intermediate goods, alongside a smaller share of capital goods, less than 5%. This trend is strengthening, representing a competitive advantage for Vietnam (Figure 2) (World Integrated Trade Solution, n.d.).

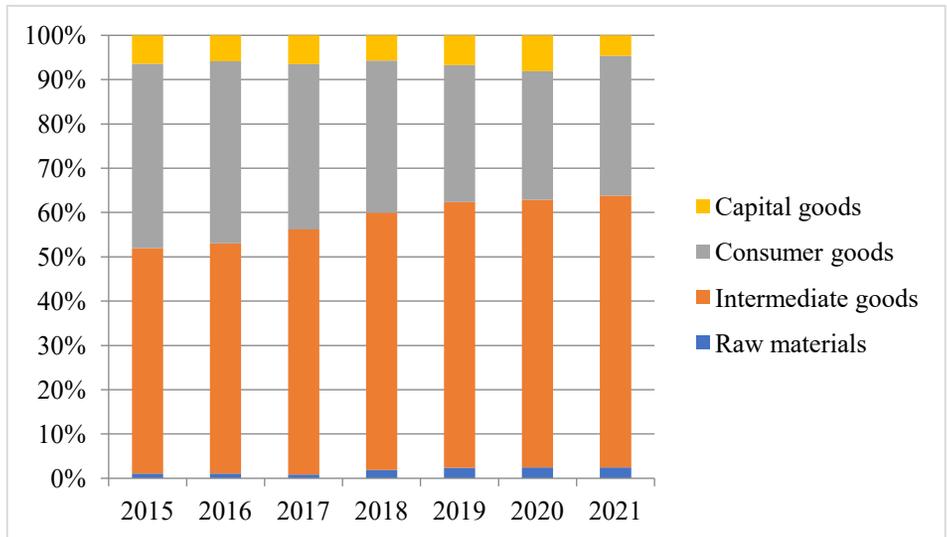


Figure 2: Export structure from Vietnam to Cambodia in 2015-2021 (by stage of processing)

(Source: World Integrated Trade Solution [n.d].)

Concurrently, the share of Vietnamese consumer goods in bilateral trade has declined, which can be attributed to two factors. First, since the 2010s, there has been a certain diversification and expansion of the Cambodian industry, which has begun producing consumer goods from intermediate goods for local and external markets. It is likely that some of these products re-enter Vietnam for subsequent export to Western markets via well-established channels. In this case, we see a scheme of tolling intermediate goods, allowing for the expansion of Vietnam's production potential at the expense of Cambodia, effectively transforming Cambodia into an additional factory platform for its neighbour.

Second, while the textile, garment, and footwear industries have dominated Cambodia in previous decades, the food and beverage industry, the electronics industry, the means of transportation and vehicle production, and the jewellery industry have expanded recently. The rapid growth of trade with China has also contributed to the increasing share of Chinese consumer goods in the Cambodian market, displacing similar products from other countries.

Cambodian exports to Vietnam (Figure 3) are dominance by raw materials. Their share in supplies to Vietnam increased significantly over the observed period, rising from 53% to nearly 86%(World Integrated Trade Solution). This clearly indicates the transformation of Cambodia's economy into a raw material appendage of Vietnam. While 2021 saw a notable decrease to 59.1% , raw materials still retain their dominant positions. A positive shift is the strengthening position of non-raw material commodity groups. For instance, the share of exports of consumer goods from Cambodia increased from 1% to 22.1%, and the share of capital goods increased from 1.5% to 5.3%. Conversely, intermediate goods exports fell sharply from 44% to 13.5%, indicating a regression in this category (World Integrated Trade Solution). The export structure aligns with the stated Vietnamese policy. The Ministry of Industry and Trade of the Socialist Republic of Vietnam (SRV) explicitly aims to establish Cambodia as an “industrial cooperation centre supplying raw materials and inputs” leveraging “Cambodia’s resources comparative advantages ” in the interests of Vietnam (ITPC, 2022).

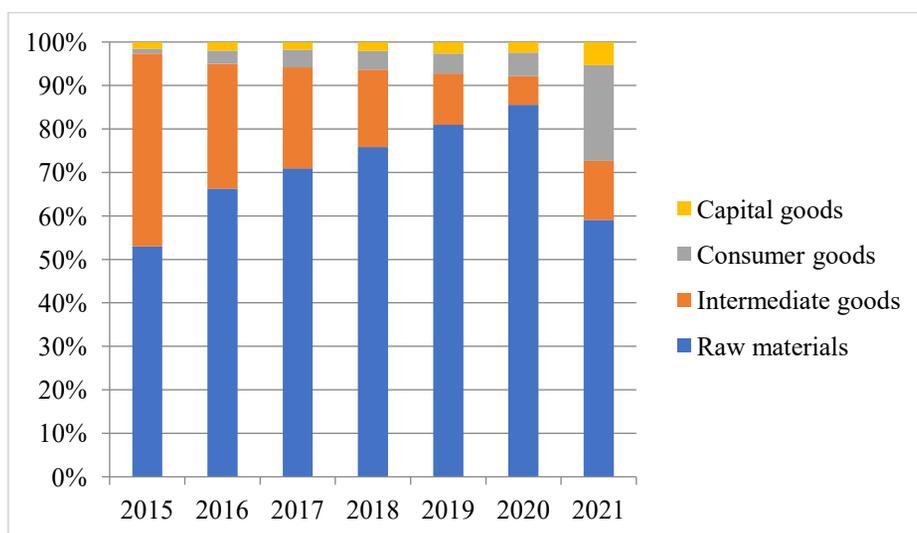


Figure 3: Export structure from Cambodia to Vietnam in 2015-2021 (by stage of processing)

(Source: World Integrated Trade Solution [n.d.])

Raw material exports from Cambodia consist overwhelmingly of agricultural products, constituting 98% of such supplies to Vietnam (ASEANstats, n.d.). This commodity group’s substantial and growing contribution to bilateral trade reflects Cambodia’s increasing comparative advantages, with relevant indices rising notably - the advantage index for agricultural raw materials climbed from 6.97 to 8.27 between 2015 and 2021.

Expanding Cambodian agricultural exports to Vietnam stems from limited domestic processing capacity and Vietnam's strategy of sourcing regional raw materials for value-added processing and global re-export.. Despite Cambodia's efforts to attract industrial investment, it has nevertheless failed to keep pace with the growth in raw material production. The importation and concentration of Vietnamese capital in Cambodia's agricultural sector also significantly contribute to the growth of Cambodian supplies to the neighbouring market. In 2022, Vietnam accumulated 80% of Cambodia's total agribusiness supply.

The most significant asymmetries in mirror statistics are observed for this commodity group. For example, according to Vietnamese agencies, Cambodian shipments of rice amounted to \$432 million, while Cambodian data reported only \$23,000, cassava - \$1.01 billion and \$0, fruit - \$1.2 billion and \$11.2 million, rubber - \$1.52 billion and \$312 million, wood - \$12.9 million and \$402,600(ASEANSTAT). The discrepancy indicates that, according to Vietnam's data, its imports are much higher than those according to Cambodia's data.

There are many reasons for the discrepancy between the mirror statistics of the two sides. These include different approaches to the collection and calculation of trade statistics, the practice of identifying partner countries when calculating trade partners, re-export and re-import operations, the functioning of international production networks and fragmentation of production, for example, during production cooperation of joint ventures established on the Cambodian side, peculiarities of the methodology for calculating the value of exports and imports, time lags between the shipment and receipt of goods, differences in exchange rates and customs regimes. Decisively, the picture can be distorted by smuggling. According to Cambodian experts, most agricultural exports to Vietnam are not properly registered (fully declared), and some are supplied illegally (Sar, 2020). There is a gap in the level of infrastructure development, which serves as a barrier to the inclusion of innovations and prevents the introduction of the latest systems for monitoring trade flows. These shortcomings are more inherent in Cambodia, which has been slow to modernise legislation and regulatory practices in line with the AEC plans. Not coincidentally, it was during the COVID-19 period, when legal export channels were closed, that the flow of goods to Vietnam increased dramatically (3-fold, according to Hun Sen's estimate (ITPC, 2022), apparently largely as a consequence of smuggling operations.

The analysis of the structure of trade turnover by the intra-industry and inter-industry trade ratio has shown that the latter prevails, indicating a rather low degree of integration. However, some intensification of intra-industry trade has been observed in recent years, as evidenced by the increase in the Grubel-Lloyd index for a number of commodity groups (Table 1), primarily agricultural (until

2021), as well as some industrial ones, such as assemblies and electronic components. This indicates the tendency toward the development of intra-industry specialisation in the secondary sector and its reduction in the primary sector. While this can be recognised as a positive phenomenon, it is important to note that Vietnam holds asymmetric advantages in this process, occupying higher-value positions within production chains.

Table 1: Grubel-Lloyd index dynamics for a number of commodity groups

	2015	2016	2017	2018	2019	2020	2021	2022
Agricultural products	0,85	0,81	0,63	0,70	0,85	0,90	0,34	0,60
Electronics	0,16	0,24	0,26	0,31	0,34	0,24	0,62	0,92

Source: Calculated according to the ASEANstats data.

Vertical intra-industry trade is becoming significant for advancing integration processes and the developing production cooperation. In this context, exports and imports represent products from different stages of the technological process. Vietnamese data indicate vertical integration in the trade of rice, rubber, cassava, and cashews, among other products. This dynamic is driven by differences in factor endowments and facilitates economies of scale.

In 2021, Cambodia supplied 96-99% of its total exports of cashews, peppers and beans to the Vietnamese market. These products were processed and re-exported to third countries (FAOSTAT, n.d.). While bolstering Vietnam's global market position, these Cambodian-origin goods are typically sold under Vietnamese brands, depriving Cambodia of advertising revenue and profit, resulting in a significant loss of the added value. For instance, according to our estimates, about 4% of peppers and 14% of bananas in Vietnam's exports were of Cambodian origin (FAOSTAT, n.d.).

The cashew trade exemplifies this pattern. Vietnam has long maintained its position as the world's leading cashew exporter, steadily increasing shipments to global markets. However, a detailed examination of cashew trade flows reveals a clear trend toward strengthening re-export positions rather than domestic production. Between 2010 and 2022, cashew production experienced significant fluctuations, with average growth rates not exceeding 0.7%. Conversely, cashew exports from Vietnam grew by 13% per year, fuelled by 22% average annual increase in raw cashew imports, playing a key role in establishing and maintaining its position as a global exporter.

Cashew nuts constitute one of the leading commodity groups in the structure of bilateral agricultural trade, accounting for 30% of the total turnover in the agricultural and food sector. Vietnam is a net importer of cashews from

Cambodia, significantly increasing its purchases at an impressive rate of 32% annually from 2010 to 2023.

Cambodian cashew production expanded substantially over the past decade, reaching 660,000 tons in 2022, which is twice the level of Vietnam (FAOSTAT, n.d.). This growth resulted from expanded cultivation areas and high-yield varieties.

Cashew production in Cambodia is entirely oriented toward the Vietnamese market. Crucially, production developed exclusively in response to Vietnamese demand, with Vietnam absorbing 98.5% of Cambodia's harvest (Thun, 2023). Simultaneously, Cambodia emerged as Vietnam's primary cashew source, utilising its processing capacities and contributing to the growth of its exports to global markets (Cambodia is Vietnam's largest source of cashew nuts, 2024). The strengthening of its position is evidenced by the increase in the share of Cambodian imports in Vietnam's cashew exports to global markets, rising from 3% to 30% (FAOSTAT, n.d.b).

Vertical intra-industry trade is also strengthening in electronics. Cambodia supplies components, such as electrical transformers, static converters (e.g. rectifiers), and inductance coils to the Vietnamese market, thus integrating them into its production chains. Vietnam exports consumer electronics and supplies intermediate goods, such as insulated wires, cables, and other electrical conductors, to Cambodia.

This pattern extends to vehicle assembly. Vietnamese components are used to assemble final products and export them to third countries. For example, Vietnam is increasing the supply of parts for the assembly of bicycles. Vietnamese bicycle parts constitute 13–15% of Cambodian factories' purchases (ASEANstats, n.d.), supporting Cambodia's rise as the EU's largest bicycle supplier and the world's fifth-largest exporter (Sutton, n.d.). It appears that Vietnam has transferred its competitive advantage, the role of the leader in this segment to its neighbour, reflecting the increasing technological development of the Vietnamese economy, which has already moved to the production and export of electric bicycles and cars.

Vietnamese supplies of textiles and garment accessories contribute significantly, comprising 16% of Cambodia's total purchases in this sector and 18% of Vietnamese supplies to the Cambodian market (ASEANstats, n.d.). Garments remain Cambodia's principal export commodity; though their share is declining, they retained a dominant position at 60% of total exports in 2021 (ASEANstats, n.d.).

Substantial opportunities for trade expansion lie in enhancing cross-border corridors, improving transport infrastructure and checkpoint facilities. Currently,

trade flows concentrate heavily on two primary routes: the border crossings in Tay Ninh and An Giang provinces.

Investment projects

As economic cooperation has deepened, bilateral investment flows have intensified. By 2022, Vietnam had emerged as Cambodia's largest investor among SEA countries, with a cumulative registered investment of \$2.916 billion across 195 projects. Cambodia ranked second among Vietnam's 79 foreign investment destinations (General Statistics Office of Vietnam, 2022, p. 290). These predominantly wholly Vietnamese-owned projects concentrate on agriculture, construction, energy, manufacturing, telecommunications, banking and finance, insurance, real estate, healthcare, tourism and hospitality, and other services.

The largest Vietnamese investment project in Cambodia is Metfone, a Vietnamese IT giant Viettel subsidiary and the SRV's most successful overseas telecommunications project. Established in 2009, the company generated over \$2.2 billion in cumulative revenue within its first decade, with total registered capital exceeding \$1 billion. Metfone rapidly deployed nationwide telecommunications infrastructure, capturing 50% of the Cambodian market within two years of operation, which it still holds today (Metfone, n.d.). As one of Cambodia's largest telecom operators, it has reportedly contributed approximately \$820 million in taxes revenues and created 30,000 jobs (Cambonomist, n.d.).

Metfone promotes advanced technologies such as 5G, artificial intelligence, virtual reality and Big Data. The Cambodian leadership appreciates the company's contribution to the country's telecommunications infrastructure and development, awarding Metfone the Labor Order. While acknowledging Metfone's operational success,, it should be noted that this part of the market is actually controlled by Vietnam, which obviously receives most of the profits. It is interesting that Vietnam did not want to work on a similar model in this industry with Vimpelcom on its territory and cede even 15-20% of the market, as the Russian company desired. This clearly indicates who dictates the rules and how they protect their interests.

In recent years, there has been a trend of growth and concentration of Vietnamese capital in Cambodia's agricultural sector, with 70% of investments from Vietnam concentrated in agriculture (ITPC, 2022). Projects of various scales are being implemented, with Vietnamese entrepreneurs receiving agricultural land in Cambodia on a concession for the cultivation of various crops. The largest project is undertaken by the state-owned Vietnam Rubber Group (VRG), which has accumulated registered investments totalling \$1.175 billion (this is 40% of all

Vietnamese investments in Cambodia) (General Statistics Office of Vietnam, 2022, p. 290). VRG occupies 90000 hectares of plantations in Kratieh, Rattanakiri, Kampong Thom, Mondolkiri, Siem Riep, Oddar Mentei and Preah Vihear provinces, representing 30% of the total hevea plantations in the country. VRG has opened six latex processing plants. The group has created more than 20,000 jobs for local people and built infrastructure at its production sites, including schools, hospitals, transportation and logistics infrastructure. VRG workers receive a social package from the company.

However, VRG and Hoang Anh Gia Lai (HAGL) are referred to as the “rubber barons” (Global Witness, n.d.). The high demand for land for rubber cultivation is driven by rising prices and growing international demand, especially from China. As the third-largest rubber producer in the world, Vietnam is a key global player, with HAGL and VRG dominating its domestic production (Vietnam Plus, 2022). Due to limited land resources in Vietnam, both companies have flocked to neighbouring Cambodia.

It is no coincidence that Vietnamese companies are associated with a number of land conflicts, highlighting the threat of a foreign partner taking control of Cambodian land. Large-scale land transfers to these entities have reportedly generated severe consequences for local communities and ecosystems (Vietnam Plus, 2022). Their alleged close ties to political and business elites are perceived to afford impunity, while operational transparency remains limited..

In recent years, HAGL has significantly diversified its activities in Cambodia by investing in banana cultivation for export to China (Chea, 2018). This expansion capitalises on favourable soil conditions in Oddar Meanchey province for a distinct yellow banana variety valued for its flavour and extended shelf life (Hom, n.d.), so it has attracted Vietnamese capital.

Thagrigo represents another significant Vietnamese investor, committing US\$388 million primarily to fruit cultivation, alongside oil palm and rubber plantations (Construction & Property Cambodia, n.d.). The company has concessioned 38,800 hectares of land, including 11,000 hectares in Kratieh province and 27,800 hectares in Rattanakiri. The company employs about 3,500 people on its plantations.

Vietnam's THADI Agriculture Farming Processing & Distribution, a subsidiary of Truong Hai Auto Corporation (Thaco) founded in August 2018, specialises in the production, processing and trading of fruits, grains, forestry and livestock products. THADI has land concessions of 20,000 hectares in Kratieh and Rattanakiri provinces. The company operates vertically integrated farms with on-site processing facilities and maintains a workforce of 3,500 (*Khmer Times*, 2020).

Vietnamese companies also maintain joint ventures in Cambodia's processing industry. A prominent example is Angkormilk, part-owned (49%) by Vinamilk, Vietnam's dairy industry leader. The facility has an annual capacity of 48 million litres of milk. At the Cambodia-Vietnam forum held in 2022, the company announced its intention to increase the plant's capacity to 90 million litres.

Another major player in the Cambodian market is Vietnam's Five Star Group, which specialises in fertiliser production. It should be noted that it is not the only Vietnamese company in this industry.

Similar to Laos, Vietnam's capital participates in Cambodian energy development. Major corporations engage in hydropower projects, such as hydropower plants on the Sesan and Serepok rivers (northeast Cambodia) with a total capacity of 800 MW (Nguyen, 2014 p. 4).

For its part, Cambodian businesses currently operate 28 projects in Vietnam with a total registered capital of \$70.12 million, mainly in agriculture, logistics, transportation and trade, ranking Cambodia as Vietnam's 53rd investment partner), including only \$4.2 million in inflows in 2021 (ITPC, 2022). Compared to Vietnamese FDI in Cambodia, this is 40 times less, which demonstrates both Vietnam's stronger investment absorption capacity and a pronounced bilateral asymmetry favouring Vietnamese economic influence.

Transport connectivity

An important role in the joint development plans is given to the construction of infrastructure, especially roads between the two countries and more widely in the cross-border triangle with Laos. Investment in this program, reflecting ASEAN's integration efforts, comes from the budgets of neighbouring states, joint funds, and international donors - ADB, Japan (through the Development Assistance Program), and others. These road projects link border regions with national economic hubs (e.g., Highway 7 in Cambodia, Highways 14 and 1A in Vietnam), connect to Vietnamese seaports (Quy Nhon, Da Nang, Ho Chi Minh City), and enhance rural transport networks.

Despite irregular or absent official statistics, cross-border trade constitutes a significant portion of bilateral commerce, estimated at 80–90%. In the spatial structure of cross-border trade, the provinces of Svay Rieng on the Cambodian side, Tay Ninh on the Vietnamese side, and Takeo and An Giang respectively lead the way. The main "corridor" between the countries has become the cities of Bavet and Moc Bai. Their share in the cross-border trade turnover was 80%. This is largely explained by the geographical location of the cities at the crossroads of

roads from Phnom Penh to Ho Chi Minh City, as well as the presence of the largest cross-border special economic zones in Bavet and Moc Bai. These two cities form a single urban zone, divided by a border checkpoint, and possess all the necessary infrastructure (Burova, 2018).

Although the work is progressing, many unresolved problems remain, the main one being the lag in infrastructure construction in the border areas behind the development of investment and production activities of participants from both countries. Establishing formal economic zones between Kon Tum and Mondolkiri provinces, and integrated border markets, is critical for sustainable trade and production linkages. Poor infrastructure facilities hinder the revitalisation of connectivity.

The Government of the SRV, taking into account these problems, is implementing a comprehensive program to develop the cross-border triangle of three countries, with Cambodia in particular, emphasising infrastructure in broad terms. Along with strengthening the base of production, processing, especially agrarian products (coffee, rubber, other industrial crops), expansion of value chains, the program is aimed at building key urban centres on the Tay Nguyen Plateau in Pleiku and Ban Me Thuot, turning this area into the strongest pole of the triangle, having a multiplicative effect on the economic development of the entire zone and the border countries as a whole (Nguyen, 2014:12).

At the same time, bilateral relations have shortcomings. Vietnam has expressed concerns regarding the Funan Techo Canal project, primarily fearing its potential impact on regional trade dynamics and waterways. Vietnamese officials worry that the canal could divert significant trade flows away from Vietnamese ports, potentially affecting their economic interests and reducing their strategic position in the region. Additionally, there are apprehensions about environmental implications and the potential disruption of local ecosystems that could arise from the construction and operation of the canal. As such, Vietnam calls for careful consideration of these factors to ensure that the project does not lead to unintended negative consequences for both nations (Nguyen, 2024).

A significant portion, or 33% (*The Japan Times*, 2024), of Cambodian trade passes through Vietnamese ports. By providing a new, direct waterway for shipping, the canal aims to reduce the reliance on Vietnamese ports for trade flows significantly. It is expected to enhance Cambodia's logistical capabilities, streamline transportation routes. The canal could divert significant shipping traffic away from Vietnamese ports.

Given the substantial scale of cross-border trade in the region, the Funan Techo Canal is unlikely to reduce trade flows through Vietnamese ports significantly. While the canal may provide an alternative route for some shipping

activities, the overall volume of trade transactions is vast, and many businesses may continue to rely on established logistics networks and infrastructure in Vietnam. Additionally, factors such as trade agreements, market access, and existing relationships with Vietnamese ports will likely influence traders' decisions, ensuring that a considerable portion of trade remains routed through these facilities despite the new canal's introduction.

CONCLUSION

Economic cooperation between Cambodia and Vietnam demonstrates dynamic growth and positively impacts the development of both countries' economies. Expanding bilateral trade not only meets domestic demand and extends market reach but also strengthens Cambodia's and Vietnam's export potential in the world market, the latter at the expense of the former. Intra-industry trade has also increased in recent years, indicating the beginning of vertical integration based on identified comparative advantages. Vietnam's implementation of investment projects, which occupy empty niches, plays a vital role in developing infrastructure, filling market gaps, stimulating Cambodia's socio-economic development, enhancing social security, increasing fiscal revenues, and generating employment.

At the same time, the tendency of Vietnamese capital concentration in the agricultural sector, primarily in the production of agricultural raw materials, increases the risk of Cambodia becoming a raw material appendage of Vietnam. On the one hand, the country sells its products for processing, for which it does not have the necessary production capacities. On the other hand, it loses added value by supplying mainly raw materials. Weak border controls and smuggling exacerbate revenue losses. Cambodia pays for Vietnam's weighty cash infusion with social and environmental consequences. For example, Vietnamese agricultural companies are often the main winners of land disputes that result in Cambodian rural populations losing their land.

So, how should we assess this complex relationship as a whole, negatively or positively? Indeed, there are both. The first includes the inequality of trade and investment flows, resulting in Cambodia's growing economic dependence on its neighbour. Another major negative is the weak manifestation of economic integration results within ASEAN. Vietnam, a much more developed and stronger partner, is helping Cambodia to narrow the gap in the level of economic development, i.e., the tasks and mechanisms of growth of the ASEAN economic community are not sufficiently utilised. The active expansion of Vietnamese

capital creates additional strong irritants for the local population and tension in political relations, which are already historically strained.

Nevertheless, discernible benefits partially offset these shortcomings. Cambodia's robust economic growth occurs substantially within Vietnam's sphere of influence—complemented significantly by China's role—thereby validating the flying “in a flock of geese” regional development model. Vietnam is historically and mentally inclined to help Cambodia through this influence, presenting apparently no alternative paradigm for bilateral relations. It is doubtful that this function can and will be better performed by any other advanced SEA country, such as Thailand or Malaysia, much less Singapore. So Phnom Penh exercises limited agency in selecting developmental support structures among immediate neighbours.

Consequently, the main ways to increase the impact of the forms of cooperation we have considered are to improve their efficiency, create new engines of economic growth for both sides, deepen bilateral cooperation, and develop transportation and production infrastructure in the border areas. Continued transport and logistics infrastructure investment is crucial to facilitate smoother trade flows. It seems appropriate to enhance transport infrastructure and checkpoint facilities. Diversifying the bilateral trade structure is necessary so that economic ties are less vulnerable, more codependent, and more susceptible to shocks. Encouraging joint ventures between Cambodian and Vietnamese businesses can create opportunities for technology transfer and skill development, fostering sustainable economic growth in Cambodia.

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