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Adaptation and Resilience in a Fragmenting Global Trade Order: Strategic Economic Responses of Thailand and Vietnam

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Adaptation and Resilience in a Fragmenting Global Trade Order: Strategic Economic Responses of Thailand and Vietnam

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Abstract

Amid rising protectionism and intensifying geopolitical tensions, export-oriented economies face increasing challenges in sustaining growth within a fragmenting global trade system. This paper examines how Thailand and Vietnam – two highly trade-dependent Southeast Asian economies – are responding to these pressures and strengthening their economic resilience. It employs a qualitative comparative approach to analyse how both countries navigate rising geoeconomic fragmentation. By using Economic Resilience Framework, this paper focuses on four key dimensions: trade diversification, investment and industrial policy, supply chain resilience, and diplomatic positioning.

The analysis of the two countries' strategic responses and their outcomes shows that both countries have benefited from the restructuring of global supply chains following the U.S.-China trade dispute and broader geopolitical shifts that have encouraged multinational firms to relocate production to Southeast Asia. However, the gains have been uneven. Vietnam has captured a larger share of trade and foreign direct investment inflows, supported by a coherent policy framework, an expanding network of comprehensive trade agreements, deeper integration into global value chains, and a flexible diplomatic stance. Thailand, while maintaining a strong industrial base and pursuing strategies to diversify trade relationships and preserve strategic neutrality between major powers, has faced constraints arising from policy fragmentation, institutional rigidity, and recurring political instability.

The comparative analysis suggests that while both economies possess relatively strong absorptive capacity to withstand external shocks, Vietnam demonstrates stronger restorative and adaptive capacities, enabling it to recover and adjust more effectively to evolving global economic conditions. While Thailand has tried to frame adaptive policies but still struggling in implementation. Drawing on the experiences of these two countries, the paper suggests that for export-dependent, middle-income economies, strengthening resilience requires continuous institutional reform, policy coherence, and political stability to provide clear and predictable signals for investment and technological upgrading. Flexible and pragmatic diplomacy, together with integrating sustainability, skills development, and technology adoption into core economic strategies, is also essential for sustaining long-term economic resilience.

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1. Introduction: The New Geoeconomic Reality

In recent years, the global economic landscape has been undergoing profound transformations driven by rising protectionism and geopolitical tensions, including the U.S.-China trade dispute, the COVID-19 pandemic, and the Russia-Ukraine War. These developments have disrupted traditional patterns of international trade and economic cooperation, leading to a more fragmented and uncertain global trade environment. This evolving geoeconomic reality poses new and complex challenges for countries seeking to sustain economic growth, particularly export-oriented economies that rely heavily on external demand and global value chains. In this context, strengthening economic resilience has become critical, requiring nations to recalibrate their economic policies, upgrade key sectors and industries, and adopt a more agile and pragmatic approaches to international engagement. By doing so, they can better safeguard their economies against external shocks while capturing emerging opportunities in a rapidly changing global order.

Thailand and Vietnam provide a compelling comparison in this regard. Both are highly trade-dependent Southeast Asian economies that have pursued export-oriented industrialization and achieved deep integration into regional and global supply chains. They are often compared due to these broadly similar development models. Historically, Thailand has benefited from an earlier development trajectory, a larger economic size, and more advanced infrastructure than Vietnam. However, recent shifts in their policy priorities and strategic orientation have been associated with a relative slowdown in Thailand's growth, while Vietnam has maintained strong momentum, gradually closing the development gap between the two countries. This divergence makes it particularly compelling to examine the underlying factors driving these trends. Accordingly, their strategic responses to the evolving trade landscape are crucial not only for their national economic stability but also for broader regional stability and integration. This paper therefore aims to analyze how Thailand and Vietnam are adjusting their policies and practices in response to the geoeconomic fragmentation of the global order through the lens of the economic resilience framework.

This study examines four key dimensions: trade diversification, investment and industrial policy, supply chain resilience and diplomatic engagement, that shape how Thailand and Vietnam respond to an increasingly complex global environment. It analyzes strategies such as free trade agreements, strategic partnerships, and regulatory reforms, alongside industrial transformation and participation in global value chains (GVCs), to assess how both countries upgrade their economic structures, reduce vulnerabilities, and move into higher value-added activities. Diplomatic engagement is also considered as a critical channel through which they manage relations with major partners and secure access to markets, supply chains, and development opportunities. The study then evaluates the economic resilience outcomes and compares the resilience capacities of the two countries using an economic resilience framework. Finally, it draws out key implications and lessons for other emerging economies facing similar challenges.

This paper contributes to the literature by applying an economic resilience framework to comparatively assess how Thailand and Vietnam respond to geoeconomic fragmentation. It offers an integrated, multi-dimensional perspective on resilience and evaluates the effectiveness and sustainability of policy responses, drawing implications and lessons for economies seeking to balance global integration with resilience in a rapidly evolving global order.

In this context, the paper addresses the following research questions:

- What strategic responses in trade diversification and reorientation, investment and industrial policy, supply chain resilience, and diplomatic positioning have shaped the economic resilience of the two countries?
- How can we evaluate these responses from a comparative perspective?
- What policy implications and lessons emerge from this comparative analysis?

2. Conceptual Framework

This study applies the Economic Resilience (ER) framework to analyse how Thailand and Vietnam respond to escalating global trade tensions amid deepening geoeconomic fragmentation (GEF).

To establish a conceptual foundation, it is essential to define geoeconomic fragmentation and explain its implications for national policy. GEF is regarded to the gradual reordering of international trade and production systems driven by protectionist policies, geopolitical rivalries, and the regionalization of global value chains (Gereffi, 2018). Dynamics of changes have weakened the integrative logic of globalization that previously underpinned economic openness in Southeast Asia, which most of them are small nations that maintain a high degree of openness to international trade and investment (Tahir et al., 2026). As global value chains (GVCs) become more politically contested, emerging economies face growing pressure to diversify markets, reduce supply-chain dependence, and pursue strategic autonomy. In this context, the position of a state within GVCs becomes a key determinant of its economic security and long-term competitiveness. Empirical studies reveal the material costs of fragmentation. Hakobyan et al. (2023) estimates median income losses of 0.2-3%, with emerging economies suffering 80-150% greater declines than advanced ones. Fernández-Villaverde et al. (2024) find that a one-standard-deviation rise in fragmentation can reduce global gross domestic product (GDP) by 0.4%. In response, scholars emphasize building resilience through regional integration, digital transformation, and institutional reform, balancing efficiency and security via diversified supply chains, greater transparency in foreign aid, and adaptive multilateral institutions (Hakobyan et al., 2023). The GEF framework thus serves to identify external structural drivers that reshape national development trajectories.

The Economic Resilience Framework, however, focuses on domestic capacities, examining how national economies are managed and adjusted in response to systemic shocks. Economic resilience refers to an economy's policy-driven capacity to absorb and recover from the volatility associated with high levels of economic openness. It comprises three interrelated capabilities: absorptive, restorative, and adaptive capacities (Briguglio et al., 2009; Martin & Sunley, 2015; Hafele et al., 2022). These capacities allow states to withstand immediate disruptions, recover from shocks, restructure economic systems, and implement institutional or policy reforms that sustain growth amid uncertainty. Building resilience, therefore, entails not only short-term crisis management but also the strategic reconfiguration of institutions and industries to ensure long-term stability.

Hafele et al. (2022) define the three capacities as follows. **Absorptive capacity** refers to an economy's ability to buffer and mitigate the immediate impact of shocks through pre-shock measures such as fiscal and financial reserves, diversified trade linkages, social safety nets, and flexible labour markets. Strong absorptive capacity enhances resistance and enables a rapid return to pre-shock performance levels in the short term. It does not, however, involve structural changes to the underlying economic system. **Restorative capacity** refers to an economy's ability to restore lost functions and return to its pre-shock equilibrium over the medium to long

term, particularly when shocks exceed absorptive capacity. Unlike absorptive capacity, which limits immediate damage, recovery involves a gradual “bounce back” to prior performance levels following significant disruption. Typical recovery measures include fiscal stimulus, monetary easing, targeted sectoral support, and trade facilitation. **Adaptive capacity** refers to an economy’s ability to adjust and reconfigure its structures in response to changing conditions over the medium to long term. It involves learning from past experiences, anticipating future risks, and making appropriate adjustments, ranging from incremental changes to fundamental transformations that break from the status quo. In this framework, transformation is treated as part of adaptation rather than a separate capacity. This includes industrial diversification, skills upgrading, and targeted policies that enable resources to shift towards expanding sectors, corresponding to the reorientation stage of resilience. Economies with strong adaptive capacity can renew their growth trajectories aftershocks by developing new export sectors or upgrading technologies.

In this paper, we apply this framework to assess the economic resilience of Thailand and Vietnam. By mapping policy interventions, industrial strategies, value chain positioning, and diplomatic initiatives onto these capacities, the analysis provides comparative insights into how each country can strengthen its resilience and sustain growth in an increasingly fragmented global economy.

3. Methodology

This study employs a qualitative comparative approach to examine how Thailand and Vietnam respond to rising geoeconomic fragmentation. Thailand and Vietnam are selected to represent compelling comparative cases among emerging economies in Southeast Asia, sharing a foundational commitment to export-oriented development strategies and progressively deepening integration into regional and global trade networks. Despite these structural similarities, the two economies have demonstrated notably divergent growth trajectories and policy orientations in recent years, rendering them particularly instructive for examining how variation in strategic approaches shapes economic resilience when external conditions remain broadly comparable.

The analysis focuses on the period from 2017 to 2024, beginning with Donald Trump’s first presidential term, which marked a turning point in the global economic landscape through the escalation of trade tensions and the rise of protectionist policies. This period also encompasses subsequent shocks, including the COVID-19 pandemic and the Russia-Ukraine War, allowing the study to capture how both countries have adapted to a sequence of overlapping disruptions.

The economic resilience framework serves as the primary analytical tool, focusing on how states strengthen internal capacities to sustain economic performance under external pressures. Using this framework, the study evaluates the economic resilience of Thailand and Vietnam by mapping policy interventions, industrial strategies, value chain positioning, and diplomatic initiatives onto the ER capacities. This approach generates comparative insights into how each country can enhance resilience and maintain growth in an increasingly fragmented global economy. While the geoeconomic fragmentation framework is drawn upon solely to contextualize key external drivers, such as geopolitical competition, trade restrictions, and supply chain shifts, the analysis focuses on domestic agency.

The comparison is based on secondary data, including government documents, international organization reports, and academic literature, to identify commonalities and divergences in resilience-building approaches across the two countries.

4. International Trade Dependence in Thailand and Vietnam

4.1. Export-oriented industrialization and deep trade integration (export-to-GDP ratio)

After World War II, both Thailand and Vietnam adopted export-oriented industrialization as a core development strategy. This model boosts economic growth by focusing on the production of goods, particularly labour-intensive products such as textiles and garments, for export to international markets. It is especially effective in these countries due to their comparative advantage in lower production costs, particularly labour, relative to more advanced economies such as Japan and South Korea. Notably, this model of economic development has been widely supported by international organizations including World Bank. The organization has highlighted that this development approach proved especially successful in Asia, where it gained global recognition as the “East Asian Miracle” (World Bank, 1993).

In Thailand, this strategic shift began in the 1960s, when the country started to transform its economy by adopting export-oriented industrialization to expand its traditional agricultural exports (Akraanee et al., 1991). Economic policy has shifted from supporting domestic agriculture to attracting more foreign investment, leveraging its position as one of the least affected countries from World War II and Communism in Southeast Asian region. The 4th National Economic and Social Development Plan (1977-1982) was the first national initiative that formalized the change of Thailand economic structure from agricultural-based economy to export-oriented industrialization. Thailand actively integrated into the global trading system by joining the General Agreement on Tariffs and Trade (GATT) in 1982 and later the World Trade Organization (WTO) in 1995. The country further expanded market access through a range of trade agreements, from bilateral arrangements such as Thailand-Australia Free Trade Agreement (FTA) and Thailand-India FTA to broader multilateral frameworks including Regional Comprehensive Economic Partnership (RCEP) to boost exports. To support export-led growth, the Thai government implemented policies to attract foreign direct investment (FDI), liberalized trade regimes, and improved investment conditions. Plus, Thailand reaped substantial advantages from the 1985 Plaza Accord, as the appreciation of the Japanese yen led to a surge in capital inflows, particularly through FDI from Japan, which in turn stimulated investment and boosted export performance. The increase in investment flows facilitated a strategic shift in the sectoral structure from agricultural exports into labour-intensive manufacturing and later toward higher value-added industries such as automotive and electronics. As a result, export growth averaged around 16% annually in the 1980s, with the export-to-GDP ratio rising from 23.2% in 1985 to 48.2% in 1997, and further to approximately 70% by 2024 (Figure 1), reflecting a sustained and high dependence on international trade.

Vietnam followed a similar but later trajectory. After the end of the Vietnam War in 1975, the country initially operated under a centrally planned system before reforming its economy comprehensively with the “Doi Moi” policy in 1986. One of the key components of these reforms was opening the economy for foreign investment and international trade (Khoi & Chaudhary, 2018). Trade opening accelerated through key milestones, including joining the Association of Southeast Asian Nations (ASEAN) in 1995, signing a bilateral trade agreement with the United States in 2000, and acceding to WTO in 2007, followed by participation in high-standard agreements such as Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP) and RCEP. These developments were accompanied by extensive institutional reforms and trade and investment support policies. Government relaxed regulations to attract more foreign investments, established export processing zones, eased import protection and implemented duty drawback schemes for imported inputs to mitigate the negative impact of import tariffs on goods used in export production (Vo & Nguyen, 2012). As

a result, Vietnam economy grew at an average rate of 7% in the 1990s, with even stronger growth of 7.5% during the period 2000-2007 (Nguyen, 2018). Over time, Vietnam has set itself on a path of progressive industrial diversification, moving from an early focus on textiles and garments, to expanding into footwear production, and more recently, establishing a strong presence in the electronics sector (Thoburn, 2013). These strategies have made Vietnam’s economy increasingly tied to international trade, with exports of goods and services rising from less than 10% of GDP in 1986 to 70.5% in 2007 (Figure 1). In recent years, the country has continued to prioritize global trade integration, resulting in export-to-GDP ratio of 90.2% in 2024 (Figure 1).

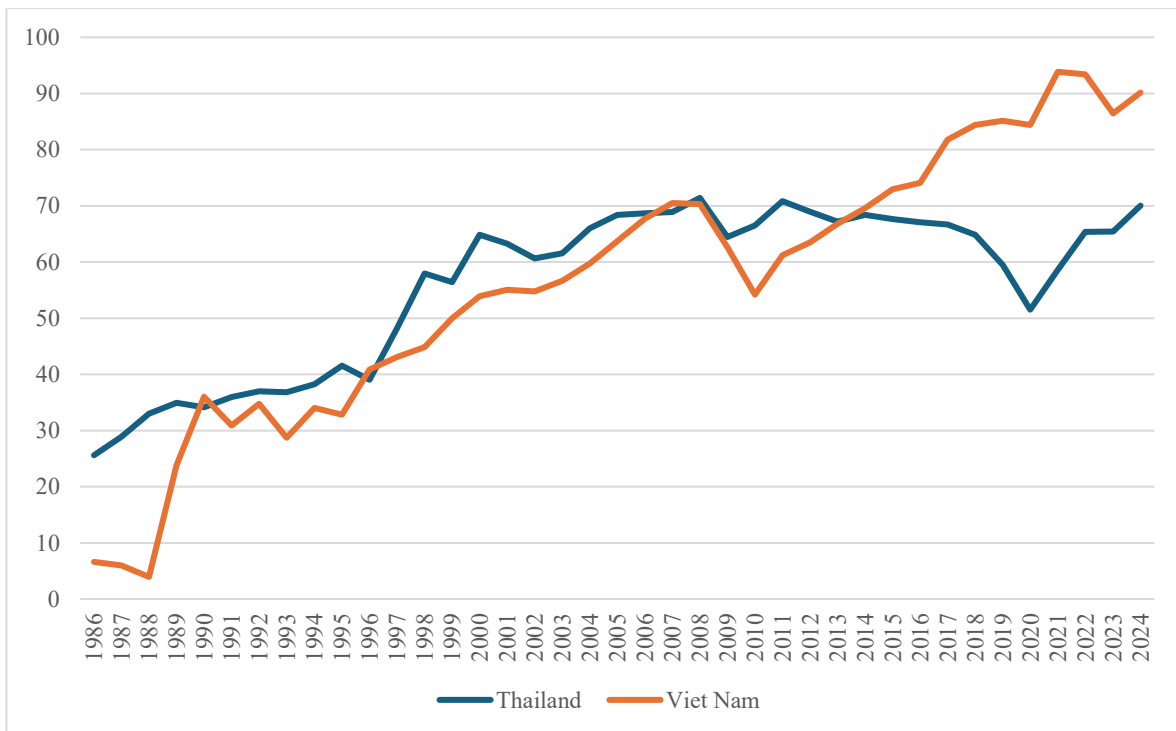


Figure 1 Exports of Goods and Services as Percentage of GDP of Thailand and Vietnam
(Source: World Bank Group)

4.2. Exposure to external shocks

Both Thailand and Vietnam have pursued economic strategies centred on deep integration into global economy, resulting in a high degree of reliance on international trade, as discussed in the previous section. In both countries, exports account for more than 50% of GDP, underscoring their structural dependence on external demand. Their trade patterns are also highly concentrated, with the United States and China serving as the two largest trading partners. Notably, nearly 30% of Thailand’s and 50% of Vietnam’s total trade is linked to these two giant economies (World Bank, n.d.-c). Taken together, these patterns heighten their exposure to external shocks arising from global demand fluctuations, geopolitical tensions, and supply chain disruptions. This structural exposure makes economic resilience a central policy concern, although the nature of vulnerability differs across the two countries. Vietnam is more export-dependent and more closely tied to electronics assembly and imported intermediate inputs, especially from China. Thailand, by contrast, is less export-dependent than Vietnam but faces constraints from mature supply-chain structures, demographic pressures, and slower policy reform.

Recent global developments have further exposed these vulnerabilities. The first major turning point was the escalation of U.S.-China trade tensions during the first Trump administration, when the United States announced the withdrawal from Trans-Pacific Partnership (TPP), followed by the imposition of “global safeguard tariffs” in 2018. The U.S. introduced tariffs of 20% on washing machines and 30% on solar panels, directly targeting Chinese products (Jongwanich, 2025). This triggered a reconfiguration of global value chains, with firms gradually relocating their manufacturing facilities away from China. Although tensions were more relaxed after the U.S. and China signed the “Phase One Deal” in 2020, the COVID-19 pandemic soon disrupted global economy and global trade. After President Joe Biden took office in 2020, there were signs of continued trade tensions, which further expanded into technology competition. Adding to these problems, the Russia-Ukraine war has severely disrupted global supply chains, restricting the movement of goods and energy, sharply increasing costs, triggering product shortages, and causing widespread food crises across the world (Stackpole, 2022).

These shocks generated both opportunities and challenges for the two countries. Scholars have explored the impacts of these developments on Thailand’s and Vietnam’s economies and international trade, which can be summarised as follows.

Vietnam was one of the principal beneficiaries of trade diversion from China after the escalation of U.S.-China trade tensions. Its export structure overlaps with China’s in several labour-intensive and electronics-related products, allowing some U.S. buyers to shift sourcing from China to Vietnam (Mayr-Dorn et al., 2026). This was reflected in the increase of Vietnam’s export share to the United States from 19.52% in 2018 to 27.38% in 2020 (World Bank, n.d.-b). Supported by political stability and a large labour force, Vietnam benefited significantly from the disruption of U.S.-China trade, particularly as Chinese investors relocated production facilities to the country (Iyoha et al., 2025). However, although Vietnam has gained substantially from trade diversion and the relocation of FDI, its economic trajectory remains exposed to several structural risks. Rising imports of intermediate goods from China illustrate Vietnam’s dependence on upstream supply chains, which could diminish the overall benefits of increased exports to the United States (Iyoha et al., 2025). Moreover, the country’s large labour force, while a source of comparative advantage, faces persistent challenges such as labour rights concerns, mismatched skills, and uneven productivity growth, all of which may limit advancement into higher value-added industries (International Labour Organization, 2023). Infrastructure constraints, including port congestion and underdeveloped logistics networks, further compound these difficulties (World Bank, 2024b). Therefore, despite unprecedented inflows of FDI and export expansion, the long-term sustainability of Vietnam’s growth will depend on mitigating these vulnerabilities and diversifying its production structure (Yamashita & Ha, 2024).

Thailand’s exports to the United States rose noticeably from about 11% to nearly 15% between 2018 and 2020 (World Bank, n.d.-a), showing that the country was able to gain partial advantages from the trade diversion created by the U.S.-China conflict. Nevertheless, compared to Vietnam, Thailand’s overall benefits were less pronounced. This is largely because its export profile is more diversified, covering sectors such as automobiles, electronics, and agriculture, and because it depends heavily on intermediate goods imported from China (World Bank, 2023a). Furthermore, Thailand’s production systems are strongly tied to regional supply chains, which reduced its ability to swiftly adjust suppliers when global disruptions occurred. Events such as the COVID-19 pandemic and the Russia-Ukraine war further highlighted weaknesses in Thailand’s energy security and reliance on imported raw materials, which in turn raised production costs and created instability across major export industries (United Nations

Economic and Social Commission for Asia and the Pacific, 2022). Another long-term limitation for Thailand is its relatively slower progress in reform and investment liberalization compared with Vietnam. Many foreign investors still regard Thailand's regulatory environment as cumbersome, citing challenges such as foreign ownership restrictions, land-use regulations, and lengthy approval processes for investment projects (OECD, 2021). This situation has diminished Thailand's capacity to attract large-scale production relocations, a trend from which Vietnam has benefitted more substantially. Compounding this, demographic shifts, particularly an aging population, and rising labour costs are eroding Thailand's competitiveness as a low-cost manufacturing hub, raising concerns about its ability to sustain export-led growth into the future (World Bank, 2023a). Collectively, these structural constraints suggest that while Thailand has benefitted to some degree from shifts in global supply chains, it remains vulnerable and may struggle to capitalize fully on ongoing trade realignments.

5. Strategic Economic Responses to a Fragmenting Global Trade Order

5.1. Thailand

Thailand's strategic response to an increasingly fragmented global trade order reflects a deliberate ambition to reposition the country within shifting geopolitical and economic realities. Since the first U.S.-China trade war, Thailand has confronted compounding external pressures, including tariff disputes, the COVID-19 pandemic, and the fracturing of technology and supply chains along geopolitical lines. In response, the Thai government has articulated a clear policy intention through the 13th National Economic and Social Development Plan (2023-2027): to transform Thailand into a high-value economy capable of withstanding external shocks. Resilience is placed at the centre of this vision, structured around three progressive levels of development, which are survival, sufficiency, and sustainability, signalling an acknowledgment that adaptation to the new global order is not optional but existential (Office of the National Economic and Social Development Council, 2023).

In terms of design, the plan is notably ambitious in its structural scope. Recognizing Thailand's geographic constraints and its historical dependence on mid-tier manufacturing, it outlines pathways centred on high-technology investment, industrial upgrading, and sustainability transitions. The government has empowered relevant agencies to accelerate implementation toward these long-term goals, and the national budgeting framework formally requires all projects to align with the overarching national strategy. This architecture reflects an attempt to institutionalize coherence, anchoring sector-level decisions to a unified developmental logic rather than allowing fragmented, agency-driven priorities to prevail.

At the level of implementation, however, the plan's ambitions encounter significant institutional friction. Execution remains largely bureaucratic in character, with agencies displaying markedly uneven responsiveness to global change. Those with mandates oriented toward international trade or foreign affairs tend to adapt with greater agility, whereas domestically focused agencies remain slow and reactive. Institutional fragmentation, a long-recognized structural weakness, persists despite ongoing reform efforts. Initiatives aimed at enhancing economic resilience are dispersed across agencies operating within narrow mandates, and while integrated budgeting mechanisms exist, they remain limited in scope and insufficiently binding to enforce genuine cross-agency coordination.

Evaluated against the standard of resilience, this gap between intention and implementation is consequential. The plan correctly identifies the structural shifts confronting Thailand and articulates a coherent vision for navigating them. Yet policy coherence at the design level does not automatically translate into adaptive capacity at the operational level. Weak inter-agency coordination, uneven institutional responsiveness, and fragmented budgetary integration collectively constrain Thailand's ability to respond in an integrated and timely manner to external disruptions. The result is a resilience strategy that is strategically sound in aspiration but structurally constrained in execution, a distinction that carries significant implications for Thailand's long-term economic positioning in an era of sustained global uncertainty.

The Small and Medium Enterprise (SME) promotion system exemplifies this fragmentation. As Thai SMEs accounts to 99.5% of Thai firms yet contribute only 35.3% of overall GDP, revealing huge productivity gap. Thai government wishes to raise contribution to at least 40%. A SME expert organization has been established as a hope to improve business productivity. However, the lead agency lacks authority to coordinate across ministries, while multiple bodies run overlapping programs, duplicating functions and competing for beneficiaries. Such structural incoherence dilutes resource effectiveness and reflects Thailand's broader challenge in shifting toward resilience-oriented governance (Loetnithat et al., 2025; Turner et al., 2016).

Although policies for resilience and preparedness are well articulated, political instability, four prime ministerial changes between 2023 and 2025, has further undermined implementation continuity and interagency coordination, leading to fragmented and inconsistent policy execution.

5.1.1. Trade Diversification and Reorientation

Thailand has moved actively to reduce over-reliance on any single export destination by pursuing new trade agreements and regional platforms. A major step was the ratification of RCEP in October 2021, which came into force in January 2022. This provided preferential access across 14 Indo-Pacific partners and anchored Thailand more firmly in Asian production networks. Apart from RCEP, Thailand also joined free trade agreement with European Free Trade Association (EFTA) with more expectations to diversify to European market (The Standard Team, 2025). At the same time, Bangkok sought to broaden access to higher-standard markets. Negotiations with the European Union were relaunched in March 2023 after nearly a decade of hiatus, with a focus on rules of origin, services liberalization, and sustainability provisions that could hedge against supply chain fragmentation.

In addition to its engagement with the EU, Thailand strengthened economic relations with the United Kingdom through the Enhanced Trade Partnership (ETP), concluded in 2024, establishing a two-year cooperation framework covering areas such as digital trade, customs modernization, and automotive standards, and is widely regarded as a preparatory step toward a future free trade agreement. Meanwhile, trade data in 2023 still shows that Thailand trade with USA (16.26%) and China (13.61%) still accounts to almost one third of total export (Hausmann et al., 2015). The number remains almost the same with a decade ago. While Thailand's rising shipments to the U.S., influenced by the dynamics of the global trade war, it represented trade diversion and not a fundamental structural diversification. Thailand's export benefits to the United States following U.S. tariffs on China were largely concentrated in sectors with supply-chain links to China and show evidence of transshipment, suggesting that

the growth reflected trade rerouting rather than a broad diversification of export products and markets (Nookhwun et al., 2025).

Moreover, Thailand continues to lag other nations in the negotiation of free trade agreements, primarily due to its institutional framework, which requires approval from both the executive and legislative branches. The government must exercise considerable caution in determining which goods and services to liberalize, as each agreement typically requires two to three years from initiation to full implementation. Non-governmental organizations play a prominent role in the negotiation process, rendering it highly sensitive and politicized, thereby influencing and, at times, constraining the government's ability to advance. This dynamic reflects deeper structural and political challenges, including fragmented stakeholder interests, limited bureaucratic capacity, and the need to balance domestic protectionist pressures with external economic opportunities. A clear illustration of the political constraints on Thailand's trade strategy is its stance toward CPTPP. When the government expressed interest in launching negotiations, it quickly encountered resistance from non-governmental organizations and political parties. Although the government attempted to highlight potential benefits, public scepticism and political pushback proved stronger. As a result, negotiations were suspended. This outcome reflects how domestic politics limited Thailand's ability to capture the opportunities presented by CPTPP, leaving it at risk of falling behind regional peers that have already secured membership (KKP Research, 2025; Department of Trade Negotiations, 2020).

5.1.2. Investment and Industrial Policy

In response to evolving global trade dynamics, Thailand has fundamentally restructured its approach to attracting foreign investment. The country's Board of Investment (BOI), as the only one government agency responsible for investment attraction and promotion, unveiled a strategic roadmap for 2023-2027 that prioritizes high-value industries. This framework provides substantial tax benefits, including corporate income tax exemptions extending up to 13 years, with target to attract electronics manufacturing, digital technology services, logistics operations, and semiconductor production.

Thailand has placed particular emphasis on transforming its established automotive industry to align with the global transition toward electric mobility. The government introduced comprehensive support packages, known as "EV3.0" and "EV3.5", designed to attract electric vehicle manufacturers to establish operations in the country. The policy allows tax free for EV battery and parts including granting subsidy to EV buyers as well as facilitating EV exports. These measures demonstrate Thailand's commitment to establishing itself as a regional centre for electric vehicle production and export. Beyond automotive transformation, BOI enhancing support mechanisms for semiconductor manufacturing, by establishing National Semiconductor Board in 2024 to manage national sophisticated electronics production.

Central to these efforts is the Eastern Economic Corridor (EEC), established through legislation in 2018 as Thailand's primary industrial development initiative. This comprehensive program concentrates infrastructure development, streamlined customs procedures, and human capital initiatives across three provinces: Chachoengsao, Chonburi, and Rayong. The EEC framework aims to establish Thailand as a regional hub for strategic industries including electronics, aviation, and logistics services.

Thailand is heavily invested in this structural realignment to facilitate its transition toward a higher value-added economy. However, Thailand's investment promotion efforts face persistent obstacles from political volatility and fragmented policy direction. Repeated episodes of political turbulences, including two military coups since 2005, has eroded investor confidence in policy continuity and weakened long-term industrial strategies. Initiatives are frequently disrupted by shifting political priorities and unclear sectoral focus. As outlined in the National Strategy (2018-2037) and the National Economic and Social Development Plans, the government supports a wide array of sectors simultaneously rather than concentrating on clear strategic priorities. This diffusion of focus reflects a short-term political calculus: budgets are spread across numerous small projects aimed at quick results, while longer-term structural reforms remain underfunded. Administrative centralization further constrains effective implementation. Investment promotion remains heavily concentrated within the BOI, limiting local participation and slowing project approvals. Investors often encounter unprepared infrastructures, unclear legal frameworks, and insufficient community support which collectively delay investment realization. Even government knows to solve problems require systematic changes. Yet, there are still minor efforts from both bureaucratic and politics sides.

Although the BOI and EEC have introduced extensive incentive schemes, Thailand's foreign direct investment has remained stagnated, averaging roughly USD 10 billion per year from 2018 to 2024 (United Nations Conference on Trade and Development, 2024). The modest rise in high-technology investment suggests that these policies have improved short-term investor interest but have yet to produce deeper structural transformation, underscoring Thailand's limited adaptive capacity within its broader resilience framework.

5.1.3. Supply Chain Resilience

Thailand has emerged as an attractive alternative destination for companies implementing "China+1" strategies to diversify their supply chains. The country's competitive edge stems from its dependable infrastructure foundation, particularly in power supply and transportation networks. Thai industrial parks experience minimal electricity disruptions compared to regional peers, while the nation's logistics capabilities earned recognition in the World Bank's 2023 assessment of global trade facilitation (World Bank, 2024a). The EEC initiative represents Thailand's commitment to infrastructure modernization. Major developments including Eastern ports and aviation centre aim to reduce bottlenecks and enhance connectivity between maritime, rail, and air transport modes.

Thailand's institutional framework has also evolved to support supply chain resilience. The country's participation in the Indo-Pacific Economic Framework led to ratification of supply chain cooperation agreements in 2024, creating mechanisms for early warning systems and coordinated crisis response. Additionally, ASEAN's digital customs initiative reached full implementation in 2024 with complete electronic documentation processing, significantly reducing administrative barriers for cross-border trade. These combined developments establish Thailand as a "reliability hub" rather than simply a low-cost manufacturing base. The emphasis on infrastructure dependability, streamlined regulations, and crisis preparedness

creates conditions for supply chain stability that multinational corporations increasingly value (World Bank, 2023a).³

These investments are core to Thailand's absorptive capacity, designed to create physical buffers and efficient logistics. Thailand's capacity to strengthen supply chain resilience is hindered by several underlying constraints. The country has not attracted multinational relocations on the same scale as regional competitors like Vietnam and Malaysia. Although Thailand offers dependable logistics and infrastructure, concerns over political instability, bureaucratic inefficiencies, and relatively higher labour costs often discourage firms from prioritizing it as a destination for new investment. In addition, demographic and labour-market pressures pose significant challenges. Thailand's population is aging faster than most of its ASEAN peers, reducing the availability of low-cost workers. At the same time, shortages of skilled labour in sectors such as electronics and semiconductors limit the country's ability to expand quickly into high-demand industries (Hein, 2024). By contrast, nations like Vietnam, Indonesia, and Cambodia retain a demographic edge, with larger pools of younger and lower-cost labour (OECD, 2025).

Thailand occupies a strategic position in ASEAN's production networks, supported by strong logistics, extensive industrial estates, and EEC infrastructure projects that cushion trade disruptions. However, the post-pandemic relocation of manufacturing from China has largely bypassed Thailand. Japanese firms have shown a declining appetite for business expansion in Thailand, with only 34.1 percent planning to expand operations compared with 56.1 percent in Vietnam. Higher labour costs, complex regulations, and skills shortages burdens Thailand's ability to turn infrastructure strength into new investment (Japan External Trade Organization, 2024). This dynamic leaves Thailand functioning as a reliable hub, maintaining operations during shocks, more than a resilient hub capable of reconfiguring supply chains for long-term competitiveness.

5.1.4. Diplomatic Stance

On the diplomatic front, Thailand has pursued a pragmatic hedging strategy, balancing engagement with major powers while strengthening regional economic integration. Relations with the United States were reinforced in 2022 through the Strategic Alliance and Partnership, In Europe, Thailand has sought to diversify into high-standard markets, exemplified by the relaunch of free trade agreement negotiations with the EU, while the Enhanced Trade Partnership with the United Kingdom offers a flexible framework for incremental cooperation.

At the regional level, Thailand continues to emphasize ASEAN centrality, advancing initiatives such as the ASEAN Single Window and fulfilling obligations under the RCEP. In terms of geopolitical positioning, Thailand has formally maintained a stance of neutrality amidst ongoing regional tensions. While neighbouring countries such as Myanmar, Laos, and Cambodia have increasingly aligned with China, Thailand has sought to preserve strategic independence. Nevertheless, economic realities shape this neutrality: China remains Thailand's largest trading partner and a major source of tourism revenue, particularly after relations with Western countries were constrained following the 2014 coup d'état (Storey, 2019). At the same

³ The World Bank's 2023 Logistics Performance Index demonstrates Thailand's robust logistics capabilities, evaluating nations based on criteria such as customs processing effectiveness, infrastructure standards, and delivery punctuality.

time, the United States is Thailand's second-largest trading partner and maintains deeper security and military ties (Kittivorapoom, 2020) with joint military exercises which hold annually.

By pragmatically hedging its foreign policy, fostering close economic ties with China while maintaining its long-term alliance with the U.S., Thailand has avoided direct geopolitical fallout. This absorptive resilience shields its market access and political foundation, yet the resulting economic payoff are modest. Unlike Vietnam's targeted "bamboo diplomacy", which has secured concrete investments and cooperations from its alignments, Thailand's neutrality has not translated into significant gains in technology transfer or new trade corridors. While this strategy provides political resilience, it is noted that it has limited adaptive transformation, stabilizing the nation without fundamentally improving its long-term economic competitiveness (Chachavalpongpun, 2024).

5.2. Vietnam

Vietnam has historically benefited from the first U.S.-China trade war, with research showing that it captured a substantial share of the U.S. import market that China lost after 2018 (Alfaro & Chor, 2024). However, the current geopolitical landscape raises questions about whether Vietnam can continue to thrive or risk being squeezed between the two superpowers. With a heavy reliance on Chinese intermediate goods, particularly in electronics and textiles, Vietnam remains highly vulnerable to ongoing trade tensions (OECD, 2023; Reuters, 2024b). At the same time, the United States, one of Vietnam's largest export markets, remains critical to its economic stability (General Statistics Office of Viet Nam, 2024). Increasing scrutiny and stricter enforcement of transshipment and rules-of-origin regulations are also creating new challenges for Vietnamese exporters (Reuters, 2025; Vietnam News, 2025).

Over the years, Vietnam has achieved significant economic growth, even as its public institutions have been criticised for not fully aligning with international standards. Yet, like many Southeast Asian peers, the country continues to face persistent governance challenges, including institutional fragmentation, overlapping jurisdictions, and weak inter-agency coordination. Moreover, the growing commercialisation of the public sector further complicates policy coherence, making it increasingly difficult for Vietnam to effectively manage emerging challenges and external shocks (Cao et al., 2016). Nevertheless, its ability to sustain growth despite these constraints demonstrates a notable degree of economic resilience.

Following the U.S. trade embargo imposed in 1975 and lifted in 1994, Vietnam's diplomatic orientation was shaped by the imperative to overcome international isolation and mobilise external support for national development. This led to the adoption of a foreign policy centred on "making more friends, reducing enemies" and pursuing "multi-directional diversification." These principles have remained the cornerstone of Vietnam's diplomatic strategy ever since (Do & Tran, 2025). In resilience terms, this diplomatic diversification has helped Vietnam widen its policy space, reduce dependence on any single partner, and maintain room for manoeuvre amid major-power competition.

Recent strategic reforms reflect the government's determination to strengthen institutional frameworks and realise its ambition of achieving high-income status within the next two decades. With the window of demographic opportunity gradually closing, Vietnam recognises the urgency of accelerating structural transformation to avoid the middle-income trap. The

country aims to position itself as a key player in critical global value chains, including solar photovoltaic energy, electric vehicles, semiconductors, and the Internet of Things. It also envisions becoming a dynamic financial hub within the region, signalling a shift toward higher-value and innovation-driven growth. These objectives matter for the country's long-term resilience because they require Vietnam to move beyond the traditional labour-intensive, low-cost manufacturing toward a more advanced, high-tech industrial structure.

Overall, Vietnam's development trajectory reflects a deliberate effort to diversify and deepen international cooperation, not only by expanding the number of partnerships but also by strengthening their depth and mutual benefits. Implicit in this approach is a clear intention to reduce dependence on any single major economy, thereby enhancing national resilience in an increasingly uncertain global environment. At the same time, Vietnam seeks to move up the global value chain by focusing on stages that generate greater added value than in the past while fostering strong diplomatic relations with countries around the globe. This section explores how Vietnam is strategically adapting to global changes, focusing on its policies to diversify trading partners, recalibrate investment strategies, enhance supply chain resilience, and pursue a calibrated form of "bamboo diplomacy."

5.2.1. Trade diversification and reorientation

Vietnam's core hedge against a fragmenting trade order lies in deep, rules-based market diversification. The government strategy emphasizes extensive market diversification through a broad portfolio of FTAs, which collectively reduce reliance on any single market by securing low or zero tariffs across diverse product lines. The country has acceded to a uniquely broad FTA network, CPTPP, European Union-Vietnam Free Trade Agreement (EVFTA), RCEP, alongside ASEAN's internal agreements, creating overlapping tariff-preference "corridors" that mitigate exposure to any single market or sanction regime (Vietnam Briefing, 2021). These agreements lock in low or zero tariffs on a wide set of manufactured products, such as electronics, garments, and footwear, and increasingly on services and data-related sectors, enabling Vietnamese exporters to redirect orders and maintain competitiveness amid rising geopolitical frictions (Vietnam Briefing, 2021). Compared with Thailand, whose export mix is more auto-centric and whose EU access is still being renegotiated, Vietnam's EVFTA and CPTPP provide earlier, deeper preferences and clearer rules of origin for labour-intensive goods and emerging tech assembly, particularly toward the EU and Pacific economies (Vietnam Briefing, 2021). In terms of resilience, these agreements provide an important buffer against disruptions in any single export destination or input source by enabling firms to access alternative markets and suppliers. They also enhance their capacity to recover more quickly and adapt to rapid changes in the global environment.

Complementing these FTA-based diversification measures, Vietnam has deepened economic ties with strategic partners. Particularly, the United States-Vietnam Comprehensive Strategic Partnership, elevated in 2023 and consolidated through 2024, encompasses regulatory cooperation across key areas including trade and investment, science and technology, and diplomatic relations (U.S. Mission Vietnam, 2024). Vietnam and South Korea announced a Comprehensive Strategic Partnership in December 2022, encompassing cooperation across economic and technological domains. Under this framework, Vietnam could benefit from technology transfers, investment inflows, and industrial collaboration, while both countries could deepen engagement in multilateral fora and position themselves as middle powers

working together to advance multilateralism in the Indo-Pacific, strengthen resilient supply chains in key industries, and enhance defence and naval cooperation (Huynh, 2023). Beside These partnerships go beyond Vietnam's FTA network by addressing deeper resilience needs, including technology transfer, high-quality investment, workforce development, regulatory cooperation, and supply chain coordination. This is particularly important as Vietnam seeks to move beyond low-cost assembly toward higher-value activities in sectors such as semiconductors, electronics, renewable energy, and advanced manufacturing. In resilience terms, strategic partnerships help Vietnam diversify not only export markets, but also sources of capital, technology, industrial capabilities, and diplomatic support. This reduces the risk that Vietnam's upgrading strategy becomes overly dependent on one dominant partner.

Membership in modern FTAs such as EVFTA, CPTPP and RCEP has also created strong momentum for Vietnam to reorient its economic trajectory toward more sustainable and environmentally responsible growth. These agreements not only expand market access but also embed high-standard provisions related to environmental protection, labour rights, and sustainable production practices. In particular, the EVFTA includes specific chapters on sustainable development, obliging Vietnam to implement international commitments under the Paris Agreement and to strengthen environmental governance, forest protection, and corporate sustainability standards (European Commission, 2020). Such provisions have catalysed domestic policy reforms, pushing Vietnam to adopt greener industrial practices and promote renewable energy. For example, the Vietnam's Power Development Plan VIII (2023) prioritises the expansion of solar, wind, and other renewable sources, with the target of achieving 30% renewable energy generation by 2030 (World Economic Forum, 2023). Similarly, in response to international trade partners' carbon border adjustment mechanisms and global value chain requirements, Vietnam has initiated its National Green Growth Strategy (2021-2030) and the Just Energy Transition Partnership (JETP) with the Group of Seven (G7) nations, which could mobilise USD 15.5 billion to support the country's decarbonisation and green transition (Vietnam News, 2022). From a resilience perspective, these advanced requirements create pressure for Vietnam to strengthen institutional capacity, accelerate domestic regulatory reforms, and promote greener industrial practices, renewable energy investment, and firm-level upgrading. In particular, they encourage Vietnamese firms to improve their production standards, innovation capabilities, and technological readiness to stay competitive. If implemented effectively, these reforms can strengthen Vietnam's resilience by helping the country maintain access to advanced markets, meet evolving global value chain requirements, and position itself as a more reliable partner in sustainable production networks. However, these benefits are not automatic. Vietnam still faces significant implementation challenges, as government capacity and firm-level readiness have not fully caught up with the high standards required by these agreements. Without stronger institutional coordination and targeted support for businesses, these requirements may increase compliance costs and limit the resilience benefits of Vietnam's FTA strategy.

By aligning domestic reforms with FTA and partnership commitments, Vietnam is not only enhancing its trade competitiveness but also positioning itself as a credible and responsible actor in the global shift toward sustainable development. However, as other countries in the region increasingly expand and deepen their global cooperation. For instance, through initiatives such as the Indonesia-EU Comprehensive Economic Partnership Agreement (CEPA) (European Commission, n.d.), Vietnam no longer holds the distinctive advantage of being

among the few nations in ASEAN with extensive international economic ties. To maintain its competitiveness in an increasingly crowded landscape, Vietnam must position itself as a high-value and reliable partner in global supply chains while maintaining diversification to reinforce long-term economic resilience.

5.2.2. Investment and industrial policy

Recent reforms in Vietnam are expected to exert a profound influence on the country's investment and industrial policy frameworks, reflecting a strategic shift toward high-technology, green, and sustainable sectors. The investment policy framework increasingly demonstrates preferential treatment for projects aligned with these priorities, signalling a deliberate effort to attract high-quality, innovation-driven capital. Particularly, the country is strategically promoting investment in semiconductors, renewable energy, and electric vehicles, consistent with Vietnam's ambition to advance its position within global value chains and transition toward a low-carbon economy (The Investor, 2025). The resilience logic is that targeted investment can help Vietnam move beyond low-cost assembly, diversify its growth base, and reduce vulnerability to shifts in labour-cost competitiveness.

Concurrently, Vietnam's industrial policy articulates a regionally differentiated approach to economic development, underscoring the government's intention to concentrate resources and infrastructure in strategic sectors and locations. The National Master Plan for the 2021-2030 period, approved in 2023, provides a comprehensive framework for industrial clustering, designating the Northern region (e.g., Bac Ninh, Bac Giang, and Hai Phong) as a hub for high-tech manufacturing and electronics, while positioning the Southern region as a centre for green industries, logistics, and supporting industries for electric vehicles (National Assembly, 2023). This clustering approach can strengthen resilience by concentrating infrastructure, suppliers, labour pools, and logistics networks in ways that reduce coordination costs and improve industrial responsiveness. Collectively, these policy directions demonstrate the state's evolving developmental vision that seeks to balance industrial upgrading, regional coordination, and environmental sustainability in pursuit of long-term economic resilience.

Industrial policy has shifted from generic FDI attraction to targeted ecosystem building, especially in semiconductors and advanced electronics. Under the United States-Vietnam Comprehensive Strategic Partnership, Hanoi and Washington launched semiconductor ecosystem cooperation relating to workforce, standards, and investment facilitation (Reuters, 2024d). This aligns with Vietnam's comparative advantage in assembly, test, and packaging (ATP), where global firms, including Intel, Amkor, Hana Micron, have expanded capacity, while domestic champions (e.g., FPT) move into design and training. The thrust is to climb from contract assembly toward higher value capture via skills, supplier upgrading, and selective incentives. This matters for resilience because higher domestic capabilities can reduce Vietnam's dependence on footloose foreign assembly operations and make its role in global value chains more difficult to replace. Compared with Thailand, which is pursuing a parallel push in EV and chip-adjacent activities, Vietnam's edge lies in an already denser consumer-electronics base and faster outsourced semiconductor assembly and test scale-up (Singh, 2025; Guarascio, 2024).

In short, policy instruments have been practical and targeted rather than rigid. They include curated industrial parks, supplier-linkage programs, and STEM initiatives co-financed with strategic partners, as well as gradual upgrades of domestic standards to comply with EU and

US market requirements. These measures are supported by broader factors such as consistent FDI messaging, political stability, an open investment regime, and improved administrative processes, all aimed at securing long-term manufacturing commitments as companies diversify production beyond China (Vietnam Briefing, n.d.). Nevertheless, Vietnam's industrial upgrading remains a work in progress. The country's long-term resilience will depend on whether these policies can generate deeper domestic linkages and successfully attract targeted investment into priority sectors.

5.2.3. Supply chain resilience

Vietnam's strategic positioning in global supply chains has been significantly bolstered by multinational corporations diversifying their operations from China. Notably, Apple has expanded its supplier network in Vietnam. Its vendor list rose sharply into the mid-30s by 2023-2024, making Vietnam Apple's largest Southeast Asian supplier hub and its fourth-largest supplier market globally, underscoring Vietnam's growing importance as a manufacturing base for major technology firms (Reuters, 2024a; Vietnam Briefing, 2024; VnExpress International, 2024). In resilience terms, it can support Vietnam's long-term upgrading by creating pathways for further expansion into higher-value sectors, although this will depend on the country's ability to build stronger domestic supplier capabilities and move beyond assembly-based production.

However, this expansion has not been without challenges. In 2023, Vietnam experienced severe power shortages during an extended heatwave. World Bank estimated the direct economic losses from outages in May-June 2023 at roughly USD 1.4 billion (about 0.3% of GDP), a shock that exposed the vulnerability of rapid industrial growth to energy reliability constraints (VnExpress International, 2023; Reuters, 2024c). In response, authorities deployed short-term emergency measures, including steps to boost coal generation and postpone some maintenance on coal-fired plants during peak demand, accelerate coal imports, and expedite transmission projects to the industrial north, to stabilize supply while longer-term grid upgrades proceed (Reuters, 2024e). These episodes highlighted that reliability, rather than unit cost, has become a binding constraint for further industrial upgrading.

By contrast, neighbouring countries such as Thailand have been viewed by some investors as enjoying more mature and stable power and logistics infrastructure, lending them a comparative edge in reliability. Nevertheless, Vietnam's ability to scale operations quickly, its deep labour pool, and aggressive FDI targeting remain attractive attributes for firms prioritizing agility and cost efficiency in their supply-chain footprint. This suggests that Vietnam's resilience advantage lies more in speed and adaptability than in institutional or infrastructural maturity. Such agility can help absorb supply chain shifts, but it may not be enough to withstand repeated shocks unless infrastructure bottlenecks are addressed.

Upstream, particularly in electronics and semiconductor activities, Vietnam has benefited from "friend-shoring" dynamics and targeted policy outreach to capture ATP capacity and adjacent supplier tiers. U.S.-Vietnam initiatives, formalized in a 2023 memorandum on semiconductor supply-chain and workforce cooperation, seek to support ecosystem development through workforce training, standards work, and investment facilitation, complementing private investment in ATP and nascent upstream capabilities. The resulting structure tends to channel raw materials and components from China, Korea, and Taiwan, focus final assembly and much ATP in Vietnam, and diversify end-market demand across the U.S., EU, and CPTPP markets,

improving overall supply-chain resilience (SEMI, 2024; Financial Times, 2024). However, while this configuration establishes Vietnam's clearer presence in GVCs, it also leaves the country exposed on the supply side through continued dependence on imported inputs.

If Vietnam continues to address critical infrastructure bottlenecks, particularly energy and logistics, and to invest in higher-skilled technical labour, it stands to consolidate a central role in a diversified, shock-resistant global supply chain. The sustainability of that trajectory will depend on sustained public and private investment in grid capacity, transmission, and upskilling programs that enable a move beyond ATP into more advanced semiconductor activities over the medium term (SEMI, 2024). Although Vietnam's position in the global value chains has strengthened, its long-term resilience depends on whether it can convert assembly-based integration into deeper technological and supplier capabilities.

5.2.4. Diplomatic stance

Vietnam's diplomacy, often referred to as "bamboo diplomacy", is characterized by a careful and flexible approach. At its core, it emphasizes independence and self-reliance, seeks to diversify partners through multilateral engagement, and engages actively with major powers without fully aligning with any. In practice, this approach has multiple dimensions. First, Vietnam has strengthened its ties with the United States, including through the Comprehensive Strategic Partnership and cooperation in strategic areas such as the semiconductor industry. Second, it has expanded economic and sector-specific collaborations with the European Union and key member states, for example, the recent France-Vietnam agreements in aviation and energy. At the same time, Vietnam has maintained high-level engagement with China, covering trade, supply chains, and infrastructure development, even as disputes persist in the South China Sea. By maintaining functional ties with competing powers, Vietnam seeks to secure market access, investment, technology, and supply chain cooperation without becoming overly dependent on one side.

Rather than following traditional strategies of bandwagoning with a dominant power or balancing against it, Vietnam pursues selective alignment on specific issues that can maximize economic resilience and preserve policy space. This multi-vector strategy allows the country to benefit from partnerships without compromising its autonomy. Compared with Thailand, which has a long-standing U.S. security alliance and deep economic ties with China, Vietnam's approach is more explicitly "multi-vector" and institution-focused, relying on free trade agreements and comprehensive partnerships as stabilizing tools that support both economic growth and diplomatic flexibility (Trinh & Ho, 2024). However, this strategy also requires careful management. As U.S.-China rivalry intensifies, Vietnam's ability to preserve strategic autonomy will depend on whether it can continue balancing competing expectations while avoiding excessive exposure to either market, technology ecosystem, or security pressure.

6. Economic Resilience Outcomes

Both countries have undertaken efforts to recalibrate their capacities in accordance with shifts in the global order, reflecting an intention to keep pace with ongoing and anticipated global trends. However, their macroeconomic, trade, and investment outcomes reveal notable differences in resilience performance, warranting further comparative examination.

6.1. Thailand

Despite policy ambitions toward high-value economic integration, Thailand's macroeconomic outcomes have fallen short of expectations. Thailand has recorded GDP growth of less than 4% since 2019, including a contraction of 6% in 2020 (Figure 2). This indicates that Thailand has shown some short-term recovery capacity, but its growth trajectory remains weaker than its pre-pandemic performance. The country's traditional growth engines, including investment, household consumption, exports, and tourism, have all shown signs of deceleration. These have limited the translation of Thailand's strategic responses into stronger aggregate growth outcomes. Persistently high household debt continues to suppress domestic consumption, while tourism has recovered only gradually from the COVID-19 shock. Together, these patterns suggest that Thailand's macroeconomic recovery remains incomplete and that its resilience is constrained by slower domestic demand and weakening investment momentum.

Thailand's trade trajectory reflects short-term restorative capacity but limited longer-term adaptive momentum. After a sharp contraction in 2020 from COVID-19 lockdown policies, trade volumes rebounded in 2021-2022 (Figure 3), a recovery consistent with Thailand's established position in regional supply chains and its infrastructure advantages discussed in Section 4. However, this rebound proved short-lived, with growth slowing again by 2023. More significantly, the structural drivers of Thailand's trade have not changed. Progress in trade agreement expansion has lagged, with network of 16 FTAs covering 23 partners remains narrower in scope and depth than those of regional peers such as Vietnam and Singapore. The absence of deeper preferential access to major markets such as the European Union also limits Thailand's ability to compete with neighbouring economies that have secured broader trade arrangements. This gap constrains Thailand's ability to redirect exports toward new markets as global value chains reconfigure, undermining the trade diversification objectives set out in Section 5 and suggesting that short-term recovery has not translated into longer-term adaptive capacity.

In terms of foreign direct investment, Thailand's FDI trajectory reveals a clear divergence between short-term recovery and long-term structural direction. Inflows rebounded after the COVID-19 downturn, reflecting Thailand's established strengths in infrastructure and production networks, yet the overall trend has remained largely stagnant (Figure 4), constrained by persistent political turmoil and uncertainty that erodes investor confidence in an environment where global firms increasingly prioritize stability. More revealing is that the sectoral composition of the flows: FDI has grown in food processing, chemicals, and automotive manufacturing, while declining in higher-value segments such as computers, electronics, and electrical equipment. This downward shift in industrial positioning, occurring precisely as Vietnam and other regional peers are moving in the opposite direction, suggests that Thailand's adaptive capacity is weakening, and that its industrial upgrading ambitions outlined in Section 5 have not yet been fully reflected in the investment it is attracting.

6.2. Vietnam

Vietnam has demonstrated relatively strong growth resilience during the period from 2019 to 2024. Amid rising geopolitical frictions and global disruptions, its economy maintained positive growth, recording 2.91% in 2020 and 2.58% in 2021 (Figure 2), while remaining above 5% annually in the other years of the period. The strategic responses implemented by the government appear to have facilitated a degree of insulation from external shocks. For instance, Vietnam's diversified trade partnerships and strong domestic demand have supported ongoing

economic expansion. Although growth moderated in 2022 and 2023, Vietnam remained among the stronger performers in the region, indicating an ability to maintain economic continuity under adverse external conditions.

Vietnam's trade performance also points to stronger adaptive capacity, although not without volatility. Despite a sharp decline in trade during 2022-2023 due to supply chain disruptions and reduced post-pandemic demand, exports and imports rebounded strongly in 2024, growing by more than 15% (Figure 3). The country's proactive trade diversification strategies, including the establishment of multiple FTAs, have shielded it from adverse impacts. Vietnam's exports remained relatively resilient through the COVID-19 period, supported by its strategic orientation toward the U.S., EU, and regional markets. Although the country experiences a significant downturn starting from 2022 till 2023, with the figures reached the lowest level, it still recorded trade surplus, suggesting its trading network and sectors retained a degree of resilience even under weaker global demand conditions.

Vietnam has also attracted substantial FDI inflows, rising from USD 16.12 billion in 2019 to USD 21.17 billion in 2024 (Figure 4), particularly in high-tech and manufacturing sectors. During the period, FDI in electronics, semiconductors, and renewable energy has surged, as multinational corporations sought to diversify production and capitalise on Vietnam's competitive advantages. Compared with Thailand, Vietnam's more targeted approach to priority sectors appears to have helped it capture a larger share of investment linked to supply chain reconfiguration, while its stable policy environment and economic potential have helped retain capital and strengthen investor confidence.

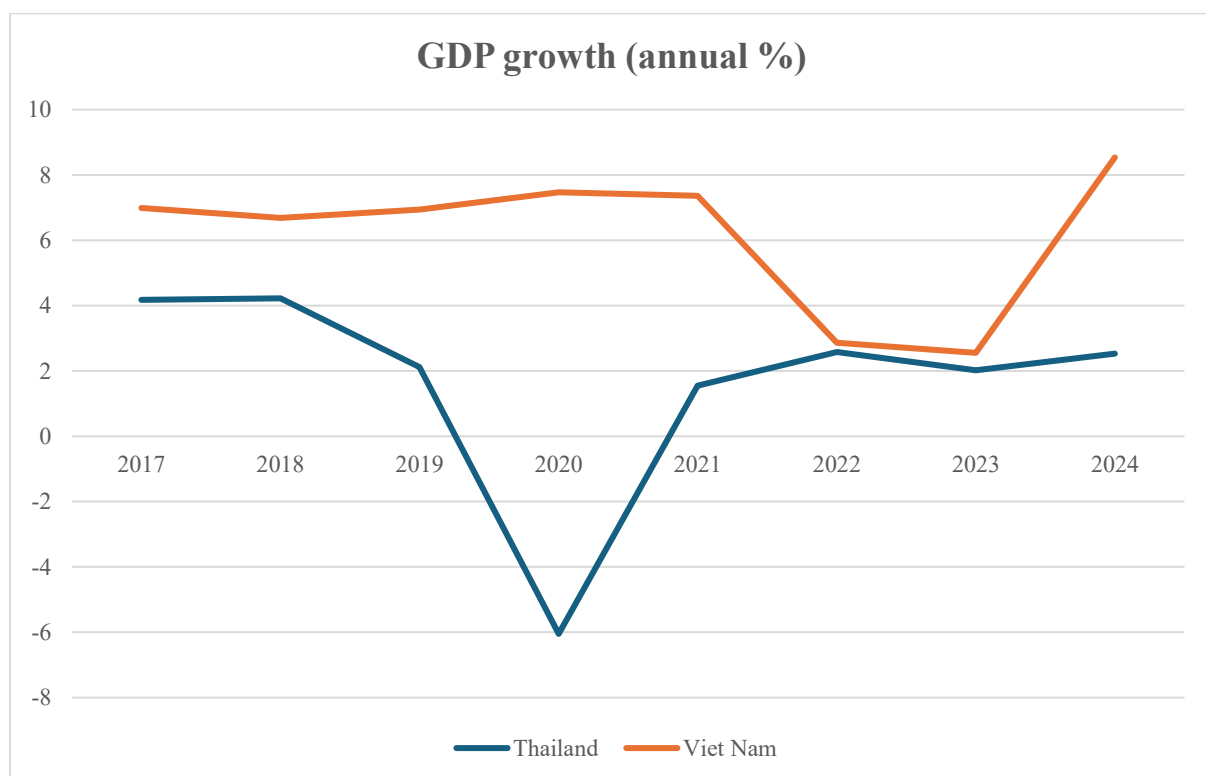


Figure 2 GDP growth 2017-2024

Source: World Bank

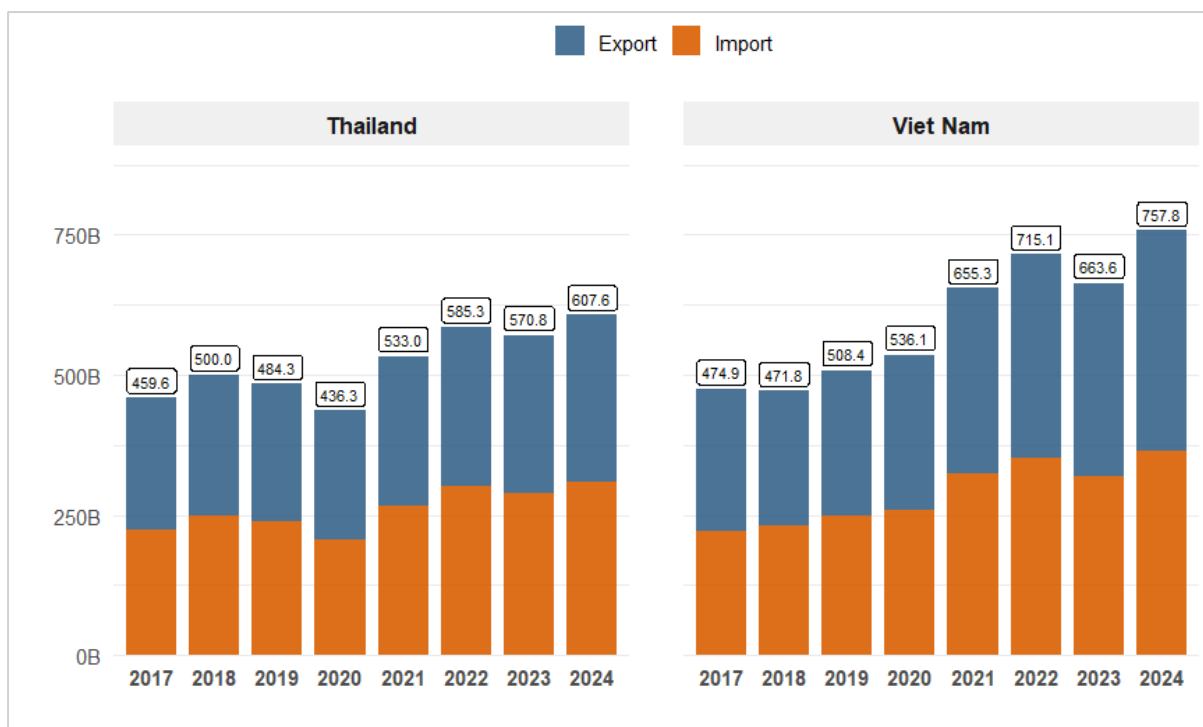


Figure 3 Thailand's Export and Import (%)
 Source: Thailand Ministry of Commerce



Figure 4 Thailand's FDI Inflows, 2019-2024
 Source: UNCTAD data

The outcome analysis shows that Vietnam has generally performed better than Thailand across growth recovery, trade adaptation, and FDI attraction. However, these indicators only provide a partial picture of resilience. To assess what these outcomes imply for longer-term economic resilience, the next section examines the two countries' resilience capacities in greater detail.

7. Integrated Resilience Assessment

Drawing on evidence from the analysis of trade, investment and industry, supply chain, and diplomatic responses, this paper assesses the economic resilience of Thailand and Vietnam through three interrelated capacities including absorptive, restorative, and adaptive.

Regarding absorptive capacity, both Thailand and Vietnam show a strong ability to absorb economic shocks and limit immediate damage. Thailand’s long-standing position as a trusted investment destination, supported by reliable infrastructure, well-developed industrial estates, and deeply embedded production networks, has helped soften the impact of recent global disruptions. Vietnam’s absorptive strength, meanwhile, stems from its extensive trade links with a wide range of partners, particularly high-value markets. This is reinforced by its pragmatic “bamboo diplomacy,” which allows the country to navigate geopolitical tensions flexibly and reduce negative spillovers. The relatively strong performance of trade and economic growth during periods of crisis provides clear evidence of this capacity.

Differences between the two countries become more evident when examining how quickly they recover after a shock. Vietnam performs notably better than Thailand in terms of restorative capacity. Stable and coherent investment and industrial policies have enabled Vietnam to restore investor confidence and resume growth more rapidly. In contrast, Thailand’s recovery has been slowed by political volatility and fragmented policy priorities, which have weighed on investment sentiment. A similar pattern emerges in supply chains. Vietnam’s ability to swiftly attract and scale high-technology manufacturing has supported a faster economic rebound, while Thailand’s otherwise strong infrastructure has been offset by political uncertainty and bureaucratic delays that hinder adjustment.

The contrast is strongest in adaptive capacity. Vietnam has actively used its network of free trade agreements to diversify trade and investment and to move up global value chains. Thailand’s more cautious, incremental approach has helped maintain stability but has limited deeper transformation. In investment and industrial upgrading, Vietnam stands out for its policy agility and clear strategic focus on emerging sectors such as semiconductors, artificial intelligence, and green technologies. Thailand, while possessing ambitious long-term visions, has struggled with policy inconsistency and politically driven shifts. Diplomatic strategies further reinforce this pattern: Vietnam’s proactive engagement and selective alignment have delivered tangible economic gains, whereas Thailand’s risk-averse approach has preserved stability but generated fewer dynamic benefits.

The integrated resilience assessment for the two countries is summarized in Table 1 below.

Capacity	Thailand	Vietnam	Evaluation
Absorptive	<p>Supply Chain Resilience: Offer investors the reliable investment hub supported by dependable infrastructure and well-developed industrial estates</p> <p>Diplomatic Positioning: Neutral, yet slower mover</p>	<p>Trade Diversification: Broad FTAs → buffers & alternative markets</p> <p>Diplomatic Positioning: Proactive “Bamboo Diplomacy” → flexible partnerships</p>	Similar capacity

Capacity	Thailand	Vietnam	Evaluation
Restorative	<p>Investment & Industrial Policy: Political volatility & fragmented priorities → slows investment and growth recovery</p> <p>Supply Chain Resilience: Reliable infrastructure helps, but political instability & bureaucratic inefficiency delay recovery.</p>	<p>Investment & Industrial Policy: Stable, coherent policies → investor confidence rebounds quickly</p> <p>Supply Chain Resilience: Strategic agility in attracting & scaling high-tech production → faster bounce-back.</p>	Vietnam demonstrates better capacity.
Adaptive	<p>Trade Diversification: Incremental approach limits transformation</p> <p>Investment & Industrial Policy: Visionary but inconsistent, politically driven</p> <p>Diplomatic Positioning: Risk-minimising approach → stable but fewer benefits</p>	<p>Trade Diversification: Uses FTAs to facilitate trade and investment, upgrade in GVCs</p> <p>Investment & Industrial Policy: Agile, clear priorities (semiconductors, AI, green tech); aligned policies</p> <p>Diplomatic Positioning: Active engagement and selective alignment → better economic gains</p>	Vietnam demonstrates better capacity.

Overall, while both countries are well equipped to absorb shocks, Vietnam has developed stronger capacities to recover quickly and adapt more effectively. This suggests that beyond strong fundamentals, economic resilience increasingly depends on policy coherence, institutional flexibility, and strategic upgrading/reforms in navigating an uncertain global environment.

8. Policy Implications and Lessons Learned

Both Thailand and Vietnam have benefited from the restructuring of global supply chains triggered by the U.S.-China trade dispute and geopolitical tensions, which have encouraged Western firms to shift production from China to Southeast Asian countries. However, these gains have not been distributed evenly, with Vietnam capturing a larger share of trade and investment opportunities over the past five years. Vietnam’s advantage is rooted not only in its cost competitiveness but also in a set of coherent policies that align with investors’ preferences for resilience and long-term certainty. The country has actively expanded its trade network, securing a greater number of comprehensive agreements, which grant its exporters privileged access to advanced markets. Thailand, with a more limited number of trade agreements, has not modernized its trade architecture to the same extent or with similar strategic depth.

Vietnam’s relative political stability further strengthens its investment appeal. Despite ongoing governance challenges, the consistency and predictability of its policy direction stand in sharp contrast to Thailand’s recurrent political upheavals and policy reversals. For multinational

firms considering long-term commitments in strategic industries, this stability provides greater assurance. Moreover, Vietnam has made deliberate investments in human capital, emphasizing vocational and technical training to support higher-value manufacturing sectors such as electronics and semiconductors. These initiatives highlight Vietnam's ambition to evolve beyond a low-cost production base and ascend the technological value chain.

Thailand, for its part, has recognized the shifting global geopolitical landscape and evolving international economic order. The government has responded by pursuing various strategies to diversify trade relationships, attract foreign direct investment, and integrate into alternative supply chains. Notably, Thailand has adopted risk mitigation strategies to maintain economic ties with both the United States and China without aligning exclusively with either power, aiming to preserve strategic autonomy amid intensifying great power competition. Although strategic objectives exist, implementation has lagged. Ongoing political volatility, weak coordination between policymakers and administrative agencies, a predominance of bureaucratic over strategic approaches, and rigid institutional structures have all limited policy effectiveness and adaptive capacity. As a result, policy execution remains fragmented and inter-agency coordination is weak. Without committed reforms to improve institutional coordination and foster more adaptive policy mechanisms, Thailand risks falling behind regional competitors in building economic resilience and securing its role within emerging regional production networks.

Drawing on the comparative experience of Thailand and Vietnam, three clusters of policy recommendations emerge, organized around the resilience framework's core capacities.

1. **Strengthening absorptive capacity.** Governments must prioritize institutional reform, coherent policy frameworks, and strategic investment to limit the damage caused by external shocks. Building resilient infrastructure across energy, logistics, and digital systems is foundational, as is developing human capital in STEM fields, helping buffer economies against disruption and enabling faster recovery when shocks occur.
2. **Advancing restorative capacity.** Diplomatic agility is central to recovering swiftly from external shocks while preserving strategic autonomy. By cultivating and maintaining relations across a broad range of partners and institutionalizing pragmatic diplomatic practices, countries can reduce dependence on any single relationship and reposition more quickly when the global environment shifts.
3. **Building adaptive capacity.** For longer-term transformation, countries must accelerate trade and investment diversification, reduce reliance on a narrow range of partners and sectors, and actively move up global value chains. Fostering innovation in high-value and green industries and embedding sustainability within core economic strategies enhance both competitiveness and long-term resilience.

Key lessons emerge from this analysis. Short-term gains from trade diversion cannot substitute for continuous institutional reform and modernization. Political stability and clear, predictable policy signals matter enormously for investment and technological upgrading. Persistent policy fragmentation continues to erode resilience, highlighting the necessity of coordinated governance and effective mandates. Flexible, pragmatic diplomacy remains a critical anchor for middle economies navigating geopolitical shifts. Finally, connecting sustainability, skills development, and technology adoption to the core economic strategy is fundamental for enduring resilience. Ultimately, as illustrated by Thailand and Vietnam, resilience is less about

weathering shocks than about achieving adaptation, renewal, and forward momentum through continual institutional learning and strategic upgrading in an increasingly fragmented world.

9. Conclusion

In summary, this comparative analysis of Thailand and Vietnam offers useful insights into the pivotal role of policy coherence, institutional adaptability, and strategic foresight in shaping economic trajectories amid deepening geoeconomic fragmentation. Vietnam's ascendancy in attracting foreign direct investment and integrating into global value chains is not merely a product of favourable costs but is fundamentally underpinned by its comprehensive policy framework. By skilfully leveraging instruments such as the CPTPP and EVFTA, Vietnam has not only secured privileged access to leading markets but also positioned itself at the forefront of supply chain adaptation and technological upgrading. This bolsters emerging literature on the significance of coordinated trade policy and human capital development in building national resilience and upgrading within global value chains (Baldwin & Forslid, 2023; Gereffi, 2018).

In contrast, Thailand illustrates the constraints that arise when strong infrastructural legacies are not matched by regulatory modernization and institutional alignment. The persistent fragmentation of Thailand's industrial and trade policy landscape, compounded by political volatility, has muted the country's ability to attract and retain high-value investment. Demographic pressures and reliance on legacy sectors have further eroded its comparative advantages. These findings extend current scholarship by highlighting the critical interplay between demographic trends, political stability, and the institutional environment in determining economic resilience and long-term competitiveness (Briguglio et al., 2009; Martin et al., 2015).

This study advances the existing literature by demonstrating that economic resilience in a volatile global order extends beyond temporary adjustment and shock absorption. It requires deliberate, continuous reform. Thailand and Vietnam's divergent paths vividly illustrate how nations must not only leverage traditional strengths but also proactively reform and innovate to remain adaptable and competitive. As global supply chains and geopolitical conditions evolve, these lessons are invaluable for emerging economies seeking to future-proof their development trajectories. Although conclusive judgments about the relative effectiveness of each country's adaptive strategies cannot yet be made, the comparative experience of Thailand and Vietnam underscores that achieving economic resilience and sustainable growth in today's complex global economy hinges on a nation's capacity for integrated, cohesive, and adaptive policymaking. Their experiences provide a vital foundation for future research and policy debate, offering practical lessons and cautionary tales for countries across Southeast Asia and the broader emerging world striving for resilience amid uncertainty.

10. Limitations

This study has some limitations. The qualitative comparative design, while valuable for exploring strategic economic responses, does not establish causal links between the three capacities and economic resilience. Focusing on only two countries limits the broader applicability of findings, as regional dynamics and other ASEAN nations are not fully considered. Lastly, the relatively short timeframe restricts assessment of the long-term sustainability and effectiveness of these strategies amid evolving geopolitical challenges.

Given that, future research should expand the scope to include a quantitative assessment of adaptation strategies across multiple ASEAN economies over longer time horizons, providing a more generalizable and empirically robust understanding. Despite these limitations, the study provides valuable initial insights that lay a solid foundation for more comprehensive and methodologically rigorous future investigations.

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