

US–China Decoupling: To What Extent Are Thai Companies Prepared to Benefit from the Ongoing Trade Dispute?*

Received: August 1, 2025

Revised: December 9, 2025

Accepted: December 19, 2025

Dr.Md Tareq Bin Hossain

Assistant Professor of International Program,
Thammasat Business School, Thammasat University
(Corresponding Author)

Dr.Sathaporn Opananon

Associate Professor of Department of International Business, Logistics and Transport,
Thammasat Business School, Thammasat University

ABSTRACT

The ongoing US–China trade dispute and the resulting decoupling of their economic relations have accelerated the reconfiguration of global value chains (GVCs), creating both opportunities and challenges for emerging economies. This disruption has been further amplified by the Trump administration’s imposition of so-called “reciprocal tariffs,” which deepened the fragmentation of cross-border production networks. This article investigates the extent to which Thai companies are prepared to benefit from these shifts, with a focus on their adaptive strategies across the political, economic, social, technological, legal, and environmental (PESTLE) dimensions. Drawing on 32 in-depth interviews with executives from the manufacturing, logistics, and technology sectors, the findings highlight Thailand’s political neutrality and proactive investment incentives as key advantages in attracting multinational corporations seeking to diversify away from China. While several large Thai firms have adopted proactive measures to integrate into relocated supply chains, many small and medium-sized enterprises (SMEs) remain constrained by limited resources and strategic capacity. This study examines how Thai businesses position themselves to secure long-term benefits from the ongoing decoupling process. By providing empirically grounded insights, the article contributes to the international business literature on emerging market responses to geopolitical fragmentation and offers policy-relevant recommendations for enhancing Thailand’s national competitiveness in an increasingly bifurcated global economy.

Keywords: US–China Decoupling, Thailand, Emerging Markets, Geopolitical Risk, PESTLE, Global Value Chains

* This Project is Funded by the National Research Council of Thailand (NRCT): N42A660903

จากเหตุการณ์การเปลี่ยนหัวอำนาจระหว่างสหรัฐอเมริกา และสาธารณรัฐประชาชนจีน บริษัทต่าง ๆ ในประเทศไทย ได้มีการเตรียมความพร้อมระดับใด ที่จะคว้าโอกาส จากข้อพิพาททางการค้าที่เกิดขึ้นอย่างต่อเนื่อง?*

วันที่ได้รับต้นฉบับบทความ : 1 สิงหาคม 2568

วันที่แก้ไขปรับปรุงบทความ : 9 ธันวาคม 2568

วันที่ตอบรับตีพิมพ์บทความ : 19 ธันวาคม 2568

ดร.เอมดี ทาเร็ค บิน ฮุซัยน์

ผู้ช่วยศาสตราจารย์ประจำหลักสูตรนานาชาติ
คณะพาณิชยศาสตร์และการบัญชี มหาวิทยาลัยธรรมศาสตร์

ดร.สถาพร โอภาสานนท์

รองศาสตราจารย์ประจำสาขาวิชาบริหารธุรกิจระหว่างประเทศ โลกทัศน์และการขนส่ง
คณะพาณิชยศาสตร์และการบัญชี มหาวิทยาลัยธรรมศาสตร์

บทคัดย่อ

ข้อพิพาททางการค้าระหว่างสหรัฐอเมริกาและจีนที่ดำเนินมาอย่างต่อเนื่อง รวมถึงกระบวนการแยกตัวทางเศรษฐกิจ (Decoupling) ระหว่างสองประเทศ ได้เร่งให้เกิดการปรับโครงสร้างของห่วงโซ่มูลค่าโลก (Global Value Chains: GVCs) ซึ่งก่อให้เกิดทั้งโอกาสและความท้าทายต่อประเทศเศรษฐกิจเกิดใหม่ การหยุดชะงักดังกล่าวทวีความรุนแรงยิ่งขึ้นจากการที่รัฐบาลทรัมป์ประกาศใช้มาตรการภาษีศุลกากรแบบ “ภาษีตอบโต้” (Reciprocal Tariffs) ซึ่งส่งผลให้เครือข่ายการผลิตข้ามพรมแดนเกิดการแยกตัวมากยิ่งขึ้น บทความนี้มีวัตถุประสงค์เพื่อศึกษาว่า บริษัทไทยมีความพร้อมเพียงใดในการใช้ประโยชน์จากการเปลี่ยนแปลงดังกล่าว โดยมุ่งเน้นการวิเคราะห์กลยุทธ์การปรับตัวของภาคธุรกิจภายใต้กรอบปัจจัยทางการเมือง เศรษฐกิจ สังคม เทคโนโลยี กฎหมาย และสิ่งแวดล้อม (PESTLE) การศึกษานี้อาศัยข้อมูลจากการสัมภาษณ์เชิงลึกกับผู้บริหารจำนวน 32 ราย จากภาคการผลิต โลจิสติกส์ และเทคโนโลยี ผลการวิจัยชี้ให้เห็นว่า ความเป็นกลางทางการเมืองของประเทศไทยและมาตรการส่งเสริมการลงทุนเชิงรุกของภาครัฐ เป็นปัจจัยสำคัญที่ช่วยดึงดูดบริษัทข้ามชาติซึ่งต้องการกระจายฐานการผลิตออกจากจีน อย่างไรก็ตาม แม้ว่าบริษัทไทยขนาดใหญ่หลายแห่งจะสามารถปรับตัวเชิงรุกเพื่อเข้าร่วมกับห่วงโซ่อุปทานที่ย้ายฐานการผลิตได้สำเร็จ แต่ธุรกิจขนาดกลางและขนาดย่อม (SMEs) จำนวนมากยังคงเผชิญข้อจำกัดด้านทรัพยากรและขีดความสามารถเชิงกลยุทธ์ บทความนี้จึงวิเคราะห์แนวทางที่ภาคธุรกิจไทยใช้ในการวางตำแหน่งเชิงกลยุทธ์เพื่อสร้างประโยชน์ระยะยาวจากกระบวนการแยกตัวทางเศรษฐกิจที่กำลังดำเนินอยู่ ผลการศึกษานี้มีส่วนช่วยเติมเต็มองค์ความรู้ในสาขารัฐกิจระหว่างประเทศเกี่ยวกับการตอบสนองของประเทศเศรษฐกิจเกิดใหม่ต่อการแตกแยกทางภูมิรัฐศาสตร์ และนำเสนอข้อเสนอเชิงนโยบายที่มีนัยสำคัญต่อการเสริมสร้างความสามารถในการแข่งขันของประเทศไทยในบริบทของเศรษฐกิจโลกที่กำลังแบ่งขั้วมากขึ้น

คำสำคัญ: การแยกตัวทางเศรษฐกิจระหว่างสหรัฐฯ-จีน ประเทศไทย ตลาดเกิดใหม่ ความเสี่ยงทางภูมิรัฐศาสตร์ PESTLE ห่วงโซ่มูลค่าโลก

* งานวิจัยนี้ได้รับทุนสนับสนุนจาก สำนักงานการวิจัยแห่งชาติ (วช.): N42A660903

1. INTRODUCTION

The intensification of the U.S.–China trade dispute since 2018 has triggered significant turbulence in the global economic landscape, driving one of the most consequential structural shifts in recent decades (Zeng et al., 2022). This disruption has not been confined to the two superpowers; it has directly affected Asian production networks, especially ASEAN economies whose manufacturing bases and export structures are deeply intertwined with both China and the United States. Through escalating tariffs, export controls, investment restrictions, and widening geopolitical rivalry, the world’s two largest economies have entered a period of partial decoupling that is reshaping long-established global value chains (GVCs). For ASEAN countries—highly dependent on intermediate goods from China and final-market access to the West—these changes have amplified both risks and opportunities, forcing firms and governments to navigate increasing geopolitical exposure. These tensions compel firms operating across borders to reconsider their global strategies, restructure supply-chain linkages, and adjust to new patterns of uncertainty (Gereffi et al., 2021). As multinational corporations (MNCs) seek to diversify production bases and reduce geopolitical exposure, emerging economies—particularly in Southeast Asia—have become increasingly prominent destinations for new manufacturing, sourcing, and investment activities (Hu et al., 2021; Hossain et al., 2025).

Existing empirical and policy-oriented research confirms that the evolving U.S.–China rivalry extends beyond a bilateral trade dispute. Rather, it represents a deeper structural realignment of regional and global economic networks (Kim, et al., 2009; Park, 2020). ASEAN’s centrality in global production—especially in electronics, automotive, and agriculture—means that disruptions originating from the U.S.–China axis are transmitted into the region through trade flows, supply-chain dependencies, and investment shifts. Studies of regional integration and geopolitical sensitivity show that Asian economies have become more tightly linked to global shocks, responding asymmetrically depending on their industrial structure, geopolitical alignment, and institutional foundations. These insights underline why ASEAN economies—and Thailand in particular—have emerged as critical nodes in the reconfiguration of supply chains.

Within this regional context, Thailand has attracted increasing attention as a potential “China +1” destination. Its geographic position, well-established manufacturing clusters, and relatively advanced logistics infrastructure offer compelling advantages for firms seeking to spread production risks. Moreover, Thailand’s longstanding diplomatic balancing between the United States and China reinforces its perception as a politically stable, strategically neutral, and commercially attractive location within Southeast Asia (ASEAN, 2021). Scholars highlight that Thailand’s geopolitical posture—neither overtly aligned with Washington nor Beijing—positions it as a “neutral bridge” capable of accommodating firms operating across competing spheres of influence (Chambers, 2021). However, Thailand operates in an increasingly competitive regional environment, where countries such as Vietnam and Malaysia have aggressively positioned themselves to capture diversion of investment from China through targeted

US–China Decoupling:

To What Extent Are Thai Companies Prepared to Benefit from the Ongoing Trade Dispute?

incentives, labor-cost advantages, and faster regulatory reforms. Simultaneously, deeper regional integration through ASEAN-led economic frameworks has enhanced Thailand’s connectivity, market access, and relevance in evolving GVC configurations.

Despite these potential advantages, a crucial question remains insufficiently explored: to what extent can Thailand convert geopolitical disruption into meaningful economic gains, and more importantly, how prepared are Thai firms themselves to take advantage of these shifts? While national policies, location advantages, and diplomatic neutrality provide an enabling environment, the readiness of domestic firms—including their innovation capacity, supply-chain flexibility, human capital, and strategic agility—ultimately determines the country’s ability to convert global disruption into economic gains (Korwatanasakul, 2023). Existing studies on geopolitical disruption emphasize the centrality of firm-level capabilities in navigating uncertainty and capturing new opportunities (Witt et al., 2023). Moreover, evidence from decoupling literature suggests that firms lacking technological readiness or adaptability are more vulnerable to negative shocks transmitted through trade and investment channels (ADB, 2009; Park, 2020).

While there is extensive research on the macroeconomic and geopolitical implications of U.S.–China decoupling, there remains a significant gap persists in understanding how domestic firms—particularly in ASEAN—interpret these shifts and evaluate their own strategic preparedness. Scholarship has tended to focus on state positions, trade policy, and MNC strategies, offering limited insight into how domestic firms in emerging economies respond to and prepare for global fragmentation. Thai firms, despite being central to discussions of investment relocation, remain empirically understudied.

This article addresses this gap by examining how Thai companies perceive and respond to opportunities and risks arising from U.S.–China decoupling, using the PESTLE framework to structure insights across political, economic, social, technological, legal, and environmental dimensions. Drawing on 32 in-depth interviews with executives from the manufacturing, logistics, and technology sectors, the study provides a grounded, qualitative understanding of firm-level readiness and strategic interpretation. By centering the experiences of managers navigating real-time disruptions driven by great power competition, the study moves beyond macro-level analyses and captures the lived realities shaping strategic decision-making in Thailand.

The structure of the article is as follows: Section 2 reviews the literature on U.S.–China decoupling, emerging-market strategic responses, and the relevance of the PESTLE framework. Section 3 outlines the methodology, including sampling, data collection, and analytical procedures. Section 4 presents the findings organized by the six PESTLE dimensions. Section 5 discusses these findings in relation to the literature. Section 6 concludes the study and offers policy recommendations alongside directions for future research.

2. LITERATURE REVIEW

2.1 US–China Decoupling and the Fragmentation of Global Trade

The decoupling between the United States and China emerged as a dominant global narrative in 2018, following the escalation of the trade war marked by successive rounds of tariff impositions and rising policy uncertainty (Miller, et.al., 2025). What initially began as a phase of cooperative economic engagement gradually shifted toward confrontation, driven by growing U.S. concerns over China’s rapid technological and economic rise (Liu, 2025). This strategic realignment gained further momentum during the COVID-19 pandemic, which exposed critical vulnerabilities in global supply chains and reinforced calls in many countries for economic self-reliance and reduced dependence on China (Yuan, 2020).

A growing body of scholarship has examined the strategic and ideological drivers behind this shift. Zhang (2023) contends that U.S. policymakers increasingly perceive China’s advances in areas such as artificial intelligence, 5G, and semiconductors as direct threats to national security. In response, the United States has adopted a series of protective measures, including export controls, investment screening, and targeted sanctions. In parallel, Zhang and Shi (2020) argue that China is viewed not only as a strategic competitor but also as an ideological rival, with global ambitions that challenge the liberal international order. As a result, many multinational corporations (MNCs) are reconsidering their global configurations, often opting to relocate operations or replicate business models in alternative markets to hedge against geopolitical risks (Cui et. al., 2023; Luo, 2022; Tung et al., 2023).

The intensifying U.S.–China rivalry has since evolved into one of the defining geopolitical dynamics of the 21st century. Beyond trade, the competition now encompasses advanced technologies, digital infrastructure, and foreign investment regulation, often framed as a broader contest between liberal democratic and state-capitalist economic models (Breslin, 2021). These shifts are profoundly reshaping the architecture of global value chains (GVCs), prompting strategies such as regionalization, reshoring, and the widely discussed “China +1” approach (Cui, et.al., 2023; Witt, 2019). Recent work also highlights that this reconfiguration is not simply economic but institutional characterized by competing standards and fragmented technology ecosystems that force firms to navigate incompatible regulatory regimes.

However, more recent studies highlight that decoupling is neither uniform nor linear. According to the ADB’s Regional Integration Working Papers (Kim, et al., 2009; Park, 2020), Asian economies have become increasingly sensitive to external shocks transmitted through trade, finance, and production networks. Rather than complete separation, these studies describe a pattern of “partial decoupling and selective recoupling,” where industries relocate in fragmented ways depending on technology intensity, geopolitical pressure, and supply-chain concentration. Similarly, recent interpretations of decoupling in Asia argue that manufacturing networks in East and Southeast Asia continue to reorganize around China even as Western economies attempt to reconfigure their supply-chain dependencies. This duality has

US–China Decoupling:

To What Extent Are Thai Companies Prepared to Benefit from the Ongoing Trade Dispute?

important implications for ASEAN, which must simultaneously manage tightening integration with China and rising strategic expectations from the United States.

Recent research emphasizes that decoupling is not a binary or uniform process, but rather a gradual and multifaceted transformation that varies across sectors and regions. Chukwuma et al. (2024) describe this decoupling as complex and evolving, while Witt et al. (2023) suggest that the pace and extent of separation are likely to accelerate, with industry-specific consequences. Scholars increasingly describe this landscape as one of “geo-fragmentation” rather than decoupling, where firms are exposed to shifting coalitions, overlapping regulations, and differentiated sanctions regimes. In this context of growing uncertainty and fragmentation, firms—particularly those operating in countries caught between U.S. and Chinese spheres of influence—must adopt nuanced, adaptive strategies (Oliver, 1991).

2.2 Emerging Market Firms and Geopolitical Risk

In the context of global disruptions, emerging market firms face dual pressures: external volatility and internal constraints. While some scholars have focused on state-level responses to decoupling, there is a growing interest in how firms in non-aligned or strategically neutral countries respond to these shifts (Ramamurti, 2012; Witt & Lewin, 2007). These firms often operate with limited institutional support and under conditions of political ambiguity, making strategic agility and resourcefulness essential.

Taye (2024) emphasizes the importance of middle-power agency in managing economic exposure amid great power competition. For countries like Thailand, this means that domestic firms may serve as both economic beneficiaries and geopolitical balancers. However, much of the existing literature continues to focus on policy-level analyses, leaving firm-level responses underexplored—especially in Southeast Asia context. While Vietnam has been studied extensively for its export dynamism and alignment with U.S. commercial interests, and Malaysia for its role in semiconductor restructuring, Thailand remains comparatively understudied despite being a major regional manufacturing hub.

Furthermore, most frameworks used to evaluate firm responses to decoupling focus on macroeconomic indicators or large MNC strategies. Less attention has been paid to how domestic firms—particularly in second-tier cities or non-export-dominant industries—perceive and react to global geopolitical disruptions. This represents a critical gap in international business literature, which this study aims to address.

Recent scholarship, including Wagener (2021), demonstrates that geopolitical uncertainty reshape firms’ investment decisions, capital allocation, and long-term strategic planning. The Econstor discussion paper *Emerging Asia: Decoupling or Recoupling?* similarly highlights that ASEAN firms continue to operate within deeply intertwined production systems, creating both dependencies and opportunities for strategic repositioning. At the same time, Chambers (2021) notes that Thailand’s geopolitical posture—balancing between China and the United States—creates unique strategic conditions not captured in traditional

IB frameworks. Firms must navigate both political alignment incentives and supply-chain realignments in ways distinct from other emerging markets. These dynamics underscore the need for micro-level, qualitative evidence that captures firm interpretations rather than relying solely on macroeconomic data or policy analysis.

2.3 The PESTLE Framework in International Business Strategy

To evaluate the external macro-environmental factors impacting firms, the PESTLE framework is frequently employed (Gillespie, 2011). In this study, we applied PESTLE framework to understand the macro-environmental factors influencing the MNCs and to identify potential future development in the context of the U.S. and China decoupling. To analyze firms' readiness and strategic responses, the PESTLE framework—encompassing political, economic, social, technological, legal, and environmental factors—offers a comprehensive lens. It has been widely used in strategic management and international business to examine external environments (Johnson et al., 2017; Yüksel, 2012). In the context of geopolitical uncertainty, PESTLE allows for a multidimensional understanding of how firms interpret and respond to complex environmental forces.

The PESTLE framework has been applied to various global business challenges, including analyzing innovation networks and market entry strategies in volatile contexts. Recent research highlights the increasing complexity of the global economic landscape, with factors like protectionist policies and techno-nationalism leading to “value chain decoupling” (Petricevic & Teece, 2019).

Moreover, in Southeast Asia, the application of PESTLE in empirical research remains limited. Thailand presents a unique context: a politically neutral country with relatively advanced infrastructure, but also burdened by structural challenges such as skills mismatches, rising costs, and innovation bottlenecks. This study therefore integrates the PESTLE model with interview-based qualitative data to offer a richer account of Thai firms' strategic thinking.

2.4 Research Gap

Despite the growing body of literature on U.S.–China decoupling, existing research remains heavily concentrated on macroeconomic implications, state-level strategies, and multinational enterprise behavior. Few studies examine how domestic firms in emerging economies interpret and respond to the geopolitical fragmentation that is reshaping global production networks. This gap is particularly evident in the ASEAN context, where economies such as Thailand are frequently mentioned as beneficiaries of supply-chain relocation but rarely analyzed through firm-level qualitative inquiry.

Three key gaps emerge from prior studies. First, little is known about how local firms—not only large multinationals—perceive geopolitical risks and assess their own readiness to engage with reconfigured supply chains. Second, existing literature seldom integrates macro-level geopolitical analysis

US–China Decoupling:

To What Extent Are Thai Companies Prepared to Benefit from the Ongoing Trade Dispute?

with grounded, qualitative insights from managers navigating these disruptions in real time. Third, although PESTLE is widely acknowledged as a useful tool for analyzing external environments, few studies apply it specifically to understand firm-level strategic interpretation under conditions of geopolitical fragmentation. In addition, Thailand’s strategic position as a politically neutral, regionally integrated economy has been discussed at a policy level but rarely analyzed from the perspective of firms experiencing geopolitical shifts firsthand.

This study addresses these gaps by applying the PESTLE framework to original qualitative data gathered from 32 Thai firms across manufacturing, logistics, technology, and industrial services sectors. The study contributes to international business research by providing empirical evidence on how emerging-market firms understand geopolitical risk, assess their preparedness, and interpret both opportunities and threats arising from the U.S.–China decoupling. By focusing on Thailand—a strategically neutral, regionally integrated, and economically significant ASEAN member—the study expands theoretical and empirical understanding of how firms in politically balanced emerging economies navigate global economic realignment. This firm-level perspective offers a valuable complement to existing state-centric and MNC-focused analyses in the decoupling literature.

3. METHODOLOGY

This study adopts a qualitative research design to explore how Thai companies perceive and respond to the shifting global environment caused by US–China decoupling. Given the complexity and dynamism of geopolitical transformations, qualitative methods are particularly suited to uncovering the nuanced, context-dependent experiences of firms in emerging markets. The focus is on understanding managerial perceptions, strategic interpretations, and readiness across six external environmental dimensions—political, economic, social, technological, legal, and environmental—through the PESTLE framework. This approach follows widely recognized qualitative traditions in international business and political economy research, where interviews provide rich insights into how firms navigate uncertainty, institutional pressure, and strategic adaptation (Miles & Huberman, 1994; Eisenhardt & Graebner, 2007).

3.1 Data Collection

Empirical data were collected through 32 semi-structured interviews conducted with senior executives and decision-makers from Thai firms operating in key sectors likely to be affected by the realignment of global value chains. These sectors include manufacturing, logistics, electronics, automotive, and industrial services. Participants were selected using purposive sampling, focusing on companies with international exposure or strategic interest in US, Chinese, or regional supply chains. To provide further clarity about the interview participants, additional details are outlined here. Fourteen interviewees were senior executives from the manufacturing sector, representing industries such as automotive parts, machinery, food processing, and electronics assembly. Another eight interviewees held leadership roles

in logistics and supply chain management, including freight forwarding, warehousing, and cross-border logistics. Six participants were executives from the technology and digital services sector—covering automation, software development, and e-commerce infrastructure. Finally, four interviewees were managers from industrial services and support sectors, including maintenance, engineering, and industrial consulting.

The interviews were conducted between November 2023 and April 2024. Each session lasted between 30 and 60 minutes and was conducted in either Thai or English, depending on the preference of the interviewee. All interviews were recorded with permission and transcribed for analysis. To ensure confidentiality and encourage openness, all participant identities have been anonymized.

Interview questions were designed to elicit reflections on the impact of geopolitical tensions, government policies, foreign investor behavior, workforce challenges, innovation readiness, regulatory environments, and environmental expectations. While the PESTLE framework was used as a guiding structure, the interviews allowed flexibility to capture emergent themes and firm-specific insights.

The development of interview questions followed a structured process. The initial questions were drafted based on a review of literature on decoupling, geopolitical risk, and emerging market strategies (e.g., Witt et al., 2023; Petricevic & Teece, 2019). Each PESTLE dimension was operationalized into 3–5 sub-questions—for example, under the “Technological” dimension, questions addressed automation readiness, digitalization challenges, and supply-chain visibility systems. Sector selection was also guided by theoretical and empirical relevance. Manufacturing, electronics, automotive, and logistics are sectors deeply embedded in global value chains and therefore most exposed to geopolitical fragmentation (Cui et al., 2023; Park, 2020). These industries are also routinely cited in decoupling literature as highly sensitive to supply chain reconfiguration, investment diversion, and technology restrictions. Their inclusion is therefore justified by both industrial significance and vulnerability to the US–China rivalry.

3.2 Data Analysis

Thematic analysis was employed to identify patterns across the interview data. The initial coding process was guided by the six PESTLE dimensions, but codes were refined inductively as recurring themes and sub-themes emerged. Each transcript was reviewed multiple times to ensure analytical rigor and consistency. The coding scheme captured both explicit statements and underlying sentiments, allowing for the interpretation of managerial perceptions in light of broader national and global developments. Triangulation was applied by comparing findings across sectors and firm sizes to identify commonalities and divergences in readiness and strategic orientation. Nonetheless, by capturing the lived experiences and strategic thinking of executives actively navigating the US–China decoupling, this

US–China Decoupling:

To What Extent Are Thai Companies Prepared to Benefit from the Ongoing Trade Dispute?

study contributes valuable empirical grounding to a growing body of literature on emerging market responses to global disruption.

4. FINDINGS

This section presents the empirical findings of the study, structured around the six dimensions of the PESTLE framework: Political, Economic, Social, Technological, Legal, and Environmental. The analysis is grounded in the perspectives of 32 Thai executives who reflected on their firms’ preparedness and strategic positioning amid the ongoing US–China decoupling. While the responses varied by sector and firm size, a number of common patterns emerged across the data. In the below; to strengthen analytical clarity and align with qualitative research standards, each PESTLE subsection synthesizes themes, sub-themes, representative quotes, and sector-specific contrasts.

4.1 Political Factors:

Strategic Neutrality and Bilateral Engagement Many interviewees emphasized Thailand’s non-aligned foreign policy and its longstanding diplomatic relations with both the United States and China as a key political advantage. Participants described Thailand as a “safe zone” or a “neutral bridge” amid escalating tensions. This neutrality was seen as crucial in maintaining access to both Western and Chinese markets without attracting punitive political or regulatory consequences. One of our respondents mentioned as below:

“Thailand has always been careful not to take sides. This helps us avoid the backlash that others may face when tensions flare up.” (Executive, electronics firm)

Moreover, interviewees credited government agencies, particularly the Board of Investment (BOI), for their efforts to attract investment by offering fiscal incentives and easing regulatory barriers. However, some respondents expressed skepticism about the implementation consistency of government support programs, noting delays in policy execution and coordination challenges between central and provincial authorities. One of the respondents expressed his concern as below:

“The policy sounds good on paper, but execution is still patchy. Incentives take time to materialize.” (Senior manager, industrial logistics company)

Beyond neutrality, political perceptions clustered into three interconnected sub-themes that shape how firms evaluate Thailand’s strategic position. First, many executives viewed Thailand’s diplomatic “hedging” posture—maintaining balanced ties with both Beijing and Washington—as an important safeguard that reduces political risk in supply-chain restructuring. Second, respondents frequently raised concerns about inconsistent policy execution and bureaucratic delays, which they argued undermine Thailand’s ability to fully capitalize on geopolitical shifts. And finally, perceptions

varied across sectors: while electronics and logistics firms expressed higher confidence in Thailand’s political stability, automotive and machinery manufacturers were more skeptical, citing slow reforms in industrial policy and prolonged regulatory bottlenecks. This cross-sector variation illustrates how political neutrality alone is insufficient; firms evaluate political advantage through the lens of implementation credibility and sector-specific policy alignment.

4.2 Economic Factors:

Rising Costs and Competitive Pressure From an economic standpoint, respondents acknowledged both opportunities and constraints. On the one hand, many firms noted increased interest from international clients looking to diversify production away from China. On the other hand, rising labor costs, especially in industrial zones near Bangkok and the Eastern Economic Corridor (EEC), were frequently cited as a threat to cost competitiveness. One of our interviewees said:

“We are no longer cheap compared to Vietnam or Indonesia. Investors are doing the math very carefully.” (General manager, automotive parts manufacturer)

Concerns were also raised about Thailand’s macroeconomic stability, particularly related to currency fluctuations, inflationary pressures, and the impact of global interest rate cycles. Several participants mentioned that while Thailand remains more stable than its neighbors, its cost-benefit edge is narrowing, especially for low-margin manufacturing. One interviewee observed that

“Thailand could benefit from adopting an approach similar to Dubai and Singapore, which actively attract small-scale foreign investors. When combined, these smaller investments can collectively generate substantial economic growth and foster new venture creation.”

However, he cautioned that *“Thailand’s outdated administrative and bureaucratic immigration system discourages many young foreign entrepreneurs from entering the market and investing in the country.”*

Taken together, the economic insights point to a structural transition in how Thailand competes. While the country can no longer rely on low-cost manufacturing, interviewees emphasized that competitiveness increasingly depends on the ability to offer reliability, logistical efficiency, and compliance with global standards rather than wage advantages alone. For example, several logistics and electronics executives noted that Thailand’s port connectivity, road infrastructure, and proximity to ASEAN markets can partially offset higher operating costs—but only when firms demonstrate consistent service performance and meet strict buyer requirements.

Another important theme emerging from the interviews is the untapped potential of attracting small-scale, high-volume foreign investors—such as digital entrepreneurs, start-up founders, and

US–China Decoupling:

To What Extent Are Thai Companies Prepared to Benefit from the Ongoing Trade Dispute?

independent professionals. Respondents argued that these investors, if supported by modernized administrative and immigration processes, could collectively generate significant economic dynamism. This perspective expands the economic opportunity beyond traditional FDI and aligns with emerging global patterns in innovation-driven investment.

Overall, the economic insights from interviewees indicate that Thailand’s ability to benefit from supply-chain diversification depends increasingly on how effectively it can strengthen its broader value proposition. While rising wages are reducing Thailand’s attractiveness in labor-intensive manufacturing relative to competitors like Vietnam and Indonesia, respondents stressed that the country can still remain competitive if it emphasizes reliability, advanced logistics, and stronger compliance systems. Several executives also highlighted the potential to attract new forms of investment—particularly small-scale foreign entrepreneurs and start-ups—whose cumulative contributions could significantly stimulate economic activity. However, they noted that such opportunities will materialize only if Thailand modernizes its administrative processes, reduces bureaucratic burdens, and creates a more welcoming environment for smaller investors seeking to establish operations in the country.

4.3 Social Factors:

The majority of interviewees agreed that human capital development is one of the weakest areas in Thailand’s preparation for absorbing investment relocation. Executives pointed to a shortage of skilled technical workers, language barriers in mid-level roles, and an overdependence on manual labor in export sectors. One of the interviewees mentioned as below.

“We’re struggling to find people who can operate automated machinery. There’s a big gap between what universities teach and what industry needs.” (CEO, Manufacturing firm)

Some participants acknowledged Thailand’s cultural compatibility with foreign investors, citing the relatively open business culture and history of working with Japanese, American, and Chinese firms. However, concerns were raised about generational workforce challenges, including reluctance among younger Thais to join industrial or logistics sectors.

Taken together, the interview data suggest three interrelated social constraints: (1) a persistent skills mismatch between education outputs and industrial needs, (2) limited language and soft skills in operational and supervisory roles, and (3) generational preferences that pull younger workers away from manufacturing and logistics. These social factors collectively weaken Thailand’s capacity to absorb higher-value activities even when geopolitical conditions and investor interest are favorable.

4.4 Technological Factors:

Across interviews, innovation readiness emerged as a central concern for Thai firms. While a few large firms had begun investing in digital transformation, most participants described a significant technology gap, especially in small and medium enterprises (SMEs). There was a general sense that Thailand's industrial base remains reliant on legacy systems, with limited R&D capacity.

“We are reactive, not proactive. Without strong tech investment, we can't move up the value chain.” (Head of strategy, industrial automation supplier)

Supply chain digitalization—critical for real-time logistics, traceability, and supplier coordination—was still in early stages for many firms. Several interviewees also noted Thailand's lag in Industry 4.0 adoption compared to regional competitors like Malaysia or China's coastal cities.

Overall, the technological findings highlight a widening capability gap between larger firms that are beginning to digitalize and the majority of SMEs that remain locked into low-tech operations. The interviews underscore that without more systematic investment in R&D, automation, and data-driven supply-chain tools, Thai firms risk remaining in low-margin segments even as production relocates from China to ASEAN.

4.5 Legal Factors:

Regulatory Inertia and Policy Fragmentation Interviewees' views on the legal and regulatory environment were mixed. Many appreciated Thailand's BOI incentives and infrastructure-related special economic zones. However, executives frequently cited regulatory inertia, bureaucratic red tape, and inconsistent interpretation of laws across ministries.

“Sometimes, we spend more time on compliance than production. The laws don't always keep up with business needs.” (Export manager, logistics company)

Another concern involved labor and immigration regulations, which were seen as restrictive in hiring foreign technical experts. Executives called for reforms that align with the pace of industrial and technological transformation which can bring more investment. One of our interviewees mentioned as below:

“Thailand welcomes large-scale investments but tends to overlook smaller investments made by a large number of individuals. To unlock broader economic potential, the country should consider revising its immigration policy to attract and accommodate modest investments from a wider pool of foreign investors. For instance, Dubai has successfully drawn substantial cumulative investment by targeting a high volume of smaller-scale foreign investors.”

US–China Decoupling:

To What Extent Are Thai Companies Prepared to Benefit from the Ongoing Trade Dispute?

These perspectives point to a legal environment characterized by formal openness but practical rigidity. While incentive schemes exist on paper, respondents emphasized that slow, fragmented implementation and restrictive immigration procedures reduce Thailand’s agility in responding to fast-moving shifts in global value chains. For many firms—especially SMEs—regulatory complexity represents a binding constraint on their ability to scale, upgrade, or partner with new foreign investors.

4.6 Environmental Factors:

Environmental awareness and green manufacturing environmental considerations were increasingly cited, not only as regulatory obligations but also as client-driven expectations—particularly from US and European buyers. Firms supplying global brands reported pressure to meet sustainability criteria, including emissions reduction, energy efficiency, and ethical sourcing.

“Our European clients now audit our environmental practices. It’s no longer optional.”

(COO, electronics exporter)

However, the transition to green manufacturing was uneven. Large exporters with established CSR programs were more prepared, while SMEs struggled with costly certification processes and lack of awareness. Some executives also expressed concern that stringent environmental expectations could exclude smaller Thai firms from international supply chains.

The environmental findings therefore reveal a growing “environmental capability divide” within Thailand’s industrial landscape. Firms with prior exposure to global buyers are adapting to sustainability demands, whereas many domestically oriented SMEs lack both knowledge and resources to comply. Without targeted support, environment-related requirements risk becoming a new exclusion mechanism that prevents smaller Thai firms from participating in decoupling-related opportunities.

4.7 Decoupling – Is it an opportunity for Thailand?

The findings reveal some interesting insights into the consequences on emerging countries due to the ongoing the US-China decoupling. Several interviewees mentioned that the decoupling could present opportunities for the ASEAN region, potentially opening doors to prosperity for many companies. For instance, some interviewees noted that their companies have received investments from China as a result of the ongoing trade conflicts between the two major nations. As one interviewee stated:

“It is true that Chinese are bring investment for our country.” (Officer, Manufacturing firm)

On the other hand, some participants expressed concern that this trade conflict could harm the internal economic network like ASEAN network, leading countries to adopt more nationalist stances and align with opposing blocs. Recent evidence suggests that countries like Vietnam are increasingly

aligning with the U.S., while nations such as Malaysia and Thailand are moving closer to joining BRICS (Brazil, Russia, India, China, and South Africa) as a potential counterbalance to U.S. economic dominance. Our interviewees believe that such events could continue to unfold, ultimately undermining trade opportunities within the ASEAN region and hindering the expansion of multinational businesses in Thailand.

Between these two extremes—those who see the decoupling as an opportunity for Thailand and those who view it as a long-term threat—there is a third group of interviewees. This group believes that the decoupling could be an opportunity for emerging countries like Thailand, but only if managed carefully. According to them, current government policies in Thailand are not particularly attractive for multinational corporations (MNCs) to expand their businesses in Thailand. They argue that if the country continues with these policies, Thailand may merely serve as a corridor for China or the U.S., rather than fostering long-term business development. One interviewee highlighted this concern:

“While it’s true that Chinese tourists bring investment, it offers limited long-term benefits for Thailand. Most Chinese tourists travel through Chinese agencies, frequenting Chinese-owned businesses. They tend to visit my neighboring restaurant, which is also Chinese owned, rather than mine. Similarly, they stay in Chinese-owned hotels, so their spending does not directly benefit the Thai economy.” (Restaurant Owner)

Another interviewee shared a similar viewpoint, expressing concerns about Chinese investors creating their own exclusive territories under the guise of investment. He recounted his experience:

“I was recently invited to an event organized by one of the largest Chinese automobile manufacturers that has established a factory in Thailand. However, all the raw materials are imported from China, meaning no local suppliers are involved. Even the workers are brought in from China. To my surprise, during the event, they spoke entirely in Chinese, despite the presence of hundreds of international guests. Although there was English translation available, the tone of the speech felt more like that of a communist leader than a business discussion. I’m uncertain how Thailand will truly benefit from this type of investment.” (Editor of an International Newspaper)

Amidst these differing opinions, we also gathered some strategic insights from our interviewees. One participant emphasized the need for Thailand to focus on fostering creativity and innovation to fully capitalize on the opportunities arising from the decoupling. He stated:

“I believe Thailand has the potential to seize opportunities, but we must focus on fostering creativity and innovation. While Thailand is proficient in using the internet and technology, the government needs to encourage the younger generation to innovate. Without innovation and creativity, we can't lead on a global scale, and investors will

US–China Decoupling:

To What Extent Are Thai Companies Prepared to Benefit from the Ongoing Trade Dispute?

continue to rely on their own production rather than sourcing from us if they can do it more efficiently. Developing these areas is essential for attracting investment and ensuring sustainable growth.” (Officer, An Internet Search Engine Company)

Overall, the data suggest that the US-China decoupling is a complex issue for international business. As the two largest economies drift apart, it raises numerous research questions for international trade and business. Our study aims to explore whether trade conflicts present opportunities or threats for business development. The findings reveal a dual reality: while Thailand holds structural and geopolitical advantages—particularly in its political neutrality and established industrial base—there are critical vulnerabilities in its workforce development, innovation ecosystem, and legal adaptability. Firms are navigating these challenges unevenly. Large firms with global exposure tend to be more prepared, while SMEs face structural limitations that reduce their ability to benefit from the ongoing US–China trade reconfiguration. We propose that international trade conflicts could offer significant opportunities for multifaceted development, but this will require careful policymaking.

5. DISCUSSION

Against this ongoing backdrop, the current study explores whether the evolving geopolitical divide between the US and China could offer strategic opportunities for emerging economies, with a particular focus on Thailand. Drawing from 32 in-depth interviews with mid and senior level Thai executives across manufacturing, logistics, and technology sectors, our findings reveal a nuanced picture of Thailand’s positioning. While the country possesses several structural advantages—such as political neutrality, geographic centrality, and an established industrial base—it also faces significant internal challenges that constrain its ability to benefit fully from the reconfiguration of global value chains (GVCs). These dynamics are examined through the PESTLE framework. Using the PESTLE model as a guide, we argue that corporations will face challenges in the next years related to a variety of political, economic, social, technological, legal, and environmental issues (Aguilar, 1967; Nandonde, 2019).

A key improvement emerging from this study—compared with existing literature—is that the themes identified across the PESTLE dimensions are not derived solely from theoretical expectations but are explicitly grounded in the empirical perceptions of Thai executives. For instance, while previous research emphasizes that political neutrality can help middle-power economies hedge in periods of geopolitical rivalry (Taye, 2024), our interview findings provide concrete examples of how Thai firms interpret this neutrality as a practical buffer against retaliation, enabling continued access to both Western and Chinese markets. This micro-level evidence adds nuance to prior macro-level studies (e.g., Chambers, 2021; Park, 2020) by showing how state-level positioning is translated into firm-level confidence and decision-making.

5.1 Strategic Neutrality: A Political Advantage, But Not a Guarantee

Thailand's non-aligned foreign policy is widely viewed by business leaders as a key strategic asset. Many executives referred to the country as a "neutral bridge" between competing blocs, allowing it to maintain favorable ties with both the US and China without becoming entangled in geopolitical retaliation. This mirrors Taye's (2024) characterization of "strategic ambiguity" as a tool for Southeast Asian middle powers to preserve autonomy amid great power rivalry. Our findings corroborate the broader literature suggesting that political neutrality can create room for maneuver for firms in contested geopolitical environments (Chambers, 2021; Park, 2020).

However, interviewees cautioned that neutrality alone is insufficient. While it helps Thailand avoid geopolitical backlash, countries like Vietnam have moved more decisively to attract investment by offering proactive bilateral frameworks and sector-specific incentives. Thailand's more passive stance may therefore cost it valuable first-mover advantages in capturing relocated supply chains. In this sense, our results are consistent with Korwatanasakul (2023), who argues that it is proactive industrial and investment policy—not neutrality alone—that explains why some ASEAN members capture greater relocation benefits.

5.2 Economic Readiness: Rising Costs and Investment Hesitation

The literature widely documents how rising production costs and accelerating regional competition threaten Thailand's position in GVCs (Korwatanasakul, 2023; Hu et al., 2021). Our interview findings support this trend but also extend it by revealing how firms navigate these constraints in practice. Respondents consistently noted that Thailand can no longer rely on low-cost manufacturing advantages. Instead, competitiveness increasingly depends on logistics reliability, supply-chain flexibility, and compliance capability—factors that align with recent IB analysis on upgrading strategies in middle-income economies (Cui et al., 2023; Witt et al., 2023). Moreover, our interviewees provided an additional dimension not widely covered in previous research: the strategic potential of attracting small-scale foreign investors and digital entrepreneurs if Thailand modernizes its administrative systems. This complements macro-level work on FDI diversification by showing how administrative reform and immigration policy are perceived at the firm level as critical levers for unlocking new growth opportunities.

5.3 Social Readiness: Persistent Skills Gaps and Generational Shifts

Human capital emerged as a recurring theme across interviews. Many executives highlighted the lack of skilled technical workers, a gap attributed to outdated curricula, underfunded vocational training, and weak industry–education linkages. This shortage undermines Thailand's ability to absorb advanced manufacturing processes or scale up supply chain upgrades. These findings resonate with earlier

US–China Decoupling:

To What Extent Are Thai Companies Prepared to Benefit from the Ongoing Trade Dispute?

assessments by the ADB (2009), but our data deepen this picture by illustrating how skills gaps are felt in day-to-day recruitment, training, and operational performance.

Cultural compatibility with foreign firms was acknowledged as a strength; however, there were also concerns about generational reluctance among younger Thais to pursue careers in industrial or logistics sectors. This generational shift is less visible in the existing literature and represents a new social constraint that may shape Thailand’s long-term readiness to benefit from decoupling.

5.4 Technological Constraints: Limited Innovation and Slow Digitalization

The literature already identifies technological upgrading as a prerequisite for emerging-market integration into high-value supply chains (Petricevic & Teece, 2019), but our empirical findings contribute more granular evidence of how Thailand lags behind in Industry 4.0 adoption. Thailand’s aspirations to move up the value chain through initiatives like Thailand 4.0 face significant headwinds. While some large firms have embraced digital transformation, most SMEs continue to operate with outdated systems and limited research and development (R&D) capacity.

Interviewees described Thailand as reactive rather than proactive in adopting Industry 4.0 tools such as automation, digital logistics, and smart manufacturing. Without a more coordinated national innovation ecosystem, Thai firms risk remaining in low-margin roles even as GVCs shift away from China. This firm-level perspective reinforces Petricevic and Teece’s (2019) argument that techno-nationalist pressures disproportionately disadvantage countries and firms that lack strong domestic innovation systems, and it illustrates how these dynamics play out in a specific ASEAN context.

5.5 Legal and Institutional Bottlenecks: Inertia in a Fast-Moving World

Many participants praised Thailand’s established FDI framework and BOI incentives, but also expressed frustration over bureaucratic inefficiencies, inconsistent legal interpretations, and slow implementation of policy reforms. These issues were especially pronounced when dealing with provincial-level authorities and cross-ministerial coordination.

A specific concern involved the country’s immigration and labor policies, which were seen as ill-equipped to attract smaller-scale but high-volume foreign investors. As one respondent noted, unlike places like Dubai that have liberalized policies to welcome a broad range of foreign capital, Thailand remains focused primarily on large-scale investments, potentially missing out on diversified sources of growth. This extends institutional perspectives in IB (e.g., Ramamurti, 2012; Witt & Lewin, 2007) by showing how “institutional distance” is not only cross-country but also internal—between national policy narratives and on-the-ground administrative practices experienced by firms.

5.6 Environmental Compliance: Growing Pressures, Uneven Capabilities

Environmental, social, and governance (ESG) requirements are becoming increasingly central to global trade relationships. Firms supplying to US and EU markets now face stringent expectations around sustainability, ethical sourcing, and emissions control.

While large Thai exporters have adapted to these pressures, SMEs lag significantly behind due to limited financial and technical resources. This readiness gap threatens to create a fragmented industrial landscape, where only a few firms benefit from GVC shifts, leaving the majority excluded from high-value supply chains. These findings dovetail with Witt et al. (2023), who highlight ESG as an emerging source of competitive differentiation, but our results emphasize that without targeted state support, ESG requirements may widen internal inequality within emerging economies' industrial structures.

5.7 Integrated Perspective: Between Strategic Potential and Structural Barriers

Taken together, the findings reveal that Thailand's strategic potential in a decoupling world is real but conditional. This aligns broadly with the arguments of Cui et al. (2023) and Witt (2019), who assert that geopolitical fragmentation generates both opportunities and risks. However, the contribution of this study lies in showing how these structural dynamics are perceived by firms on the ground. Thai executives emphasized that political neutrality and infrastructure provide a strong foundation, but internal bottlenecks—skills gaps, technological lag, and bureaucratic rigidity—limit the country's ability to convert global shifts into sustainable competitive advantage. By linking these firm-level perceptions to prior regional and global studies, the discussion underscores that the decisive variable is not geopolitics alone but the interaction between external shocks and domestic capability formation. These insights underscore that the readiness of domestic firms, rather than geopolitics alone, will ultimately determine Thailand's capacity to benefit from global realignment.

6. CONCLUSION AND POLICY RECOMMENDATIONS

6.1 Conclusion

The ongoing US–China decoupling has triggered a significant reconfiguration of global value chains, presenting a strategic window of opportunity for emerging markets in Southeast Asia. For Thailand, this disruption brings both promise and complexity. Through 32 in-depth interviews with executives across key sectors, this study assessed the country's preparedness using the PESTLE framework, uncovering a nuanced landscape of strategic positioning and internal readiness.

Overall, the data suggest that the US–China decoupling is a complex issue for international business. As the two largest economies drift apart, it raises numerous research questions for international trade and business. Our study aims to explore whether trade conflicts present opportunities or threats

US–China Decoupling:

To What Extent Are Thai Companies Prepared to Benefit from the Ongoing Trade Dispute?

for business development. The findings reveal a dual reality: while Thailand holds structural and geopolitical advantages—particularly in its political neutrality and established industrial base—there are critical vulnerabilities in its workforce development, innovation ecosystem, and legal adaptability. Firms are navigating these challenges unevenly. Large firms with global exposure tend to be more prepared, while SMEs face structural limitations that reduce their ability to benefit from the ongoing US–China trade reconfiguration. We propose that international trade conflicts could offer significant opportunities for multifaceted development, but this will require careful policymaking.

Building on these findings, this study concludes that Thailand’s ability to benefit from global fragmentation depends on the interplay between macro-level conditions (stability, neutrality, infrastructure) and firm-level capabilities (technology adoption, compliance capacity, workforce quality, and strategic agility). Political neutrality alone is insufficient; the decisive factor is whether Thai firms can meet the capability thresholds required by reconfigured global value chains. These thresholds include Industry 4.0 readiness, ESG compliance, skilled labor availability, and the ability to integrate into increasingly complex supply-chain networks. From a theoretical perspective, this study contributes to the growing discourse on geopolitical disruption, international business strategy, and global value chain restructuring. It employs the PESTLE framework alongside firms’ abilities to interpret geopolitical signals, capitalize on new market opportunities, and adjust their organizational capabilities. This integrated approach deepens our understanding of how emerging-market firms navigate uncertainty and reshape their strategic pathways amid global fragmentation.

Practically, the findings offer several key implications for Thai firms. Companies seeking to capitalize on supply-chain relocation must upgrade their technological and digital capabilities, strengthen compliance and certification systems, invest in workforce development, and pursue deeper innovation-oriented strategies. Firms that remain reliant on low-cost labor or outdated processes risk exclusion from higher-value activities in the evolving global production landscape.

For policymakers, the study highlights the need for targeted reforms to enhance Thailand’s competitiveness. Priorities include modernizing immigration rules to attract specialized talent, accelerating regulatory harmonization across ministries, strengthening local supplier development programs, subsidizing ESG and technology adoption for SMEs, and investing in technical education aligned with Industry 4.0 requirements. Without such reforms, Thailand may continue attracting investment inflows but fail to secure meaningful domestic value capture.

In conclusion, while the US–China decoupling presents genuine openings for Thailand, realizing these opportunities requires coordinated capability upgrading, policy innovation, and strategic foresight. Thailand’s long-term competitiveness will depend not only on its geopolitical positioning but on its ability to evolve into a technologically advanced, innovation-driven, and globally integrated economy.

6.2 Policy Recommendations

To enhance Thailand's strategic preparedness and fully leverage the opportunities emerging from the global reconfiguration of value chains, a comprehensive set of policy reforms is necessary. First, the government must prioritize reforms in human capital development by strengthening vocational and technical education, aligning curricula with industrial needs, and expanding public-private training partnerships—especially in provinces targeted for industrial relocation. Such reforms should emphasize advanced manufacturing skills, digital literacy, English proficiency, and Industry 4.0 competencies, enabling both SMEs and large firms to meet the capability thresholds increasingly demanded by global supply chains.

Equally important is the development of a robust national innovation strategy to increase R&D spending, promote SME digitalization, and foster industry-university collaboration. This effort should be supported by streamlined access to innovation grants, tax incentives, and technology transfer schemes. A national innovation roadmap—coordinating universities, research institutes, and private-sector consortia—would help Thailand shift from technology adoption to technology creation, a transition essential for long-term competitiveness under global fragmentation.

At the same time, regulatory efficiency must be improved. Institutional fragmentation and overlapping jurisdictions have slowed investor responsiveness; thus, inter-agency coordination mechanisms and fast-track approval systems should be implemented, particularly in emerging sectors such as smart manufacturing and clean energy. Crucially, immigration policy reform must be part of this agenda. Current visa and work permit systems remain overly restrictive, making it difficult to attract skilled foreign professionals and small-scale investors. Thailand should adopt a more flexible and inclusive immigration framework—modeled after successful hubs like Dubai—that facilitates high-volume, modest-scale foreign investment and talent inflow. Revising visa categories to accommodate specialized technicians, digital talent, green technology experts, academician and even the short-term knowledge workers would significantly enhance Thailand's absorptive capacity and reduce dependence on foreign-dominated.

In parallel, environmental sustainability must be strengthened by supporting SMEs to meet international ESG standards through accessible green financing, environmental certification support, and sustainability training. A national ESG support fund—focusing on low-interest loans, subsidized audits, and capacity-building programs—would help close the widening compliance gap between large exporters and smaller domestic suppliers. Further, Thailand should expand environmental testing laboratories and sustainability advisory centers to reduce reliance on costly foreign certification services. Lastly, while maintaining its geopolitical neutrality, Thailand must intensify its economic diplomacy by engaging in bilateral and multilateral frameworks across both Western and Chinese spheres, with a focus on technology cooperation, investment protection, and supply chain integration. Strategic engagement in

US–China Decoupling:

To What Extent Are Thai Companies Prepared to Benefit from the Ongoing Trade Dispute?

initiatives such as Indo-Pacific Economic Framework (IPEF), Regional Comprehensive Economic Partnership (RCEP), BRICS+, and ASEAN-led digital economy frameworks would allow Thailand to diversify risk, strengthen bargaining power, and ensure that neutrality is complemented by proactive economic positioning. Together, these reforms will ensure Thailand not only absorbs diverted investments but also emerges as a proactive and competitive player in the evolving global economic order. By aligning workforce development, technological upgrading, regulatory modernization, environmental sustainability, and international economic engagement, Thailand can transition from a passive beneficiary of geopolitical shifts to an active architect of its long-term competitiveness.

6.3 Limitations and Future Research

As with all research, this study has limitations that should be acknowledged explicitly. First, the sample of 32 firms, though diverse across sectors, may not fully represent all Thai industries or regions, and the rapidly evolving nature of geopolitical tensions means that firm perceptions may shift over time. Second, our analysis is based on a single-country, qualitative design, which limits the ability to draw definitive causal inferences about the relationship between capability upgrading and actual investment flows. Third, the exclusive use of the PESTLE framework, while appropriate for capturing macro-environmental perceptions, did not allow us to fully explore internal firm-level dynamics.

Future research could expand the sample size, incorporate longitudinal interviews, and compare Thailand with regional competitors such as Vietnam or Malaysia to assess how different policy and institutional environments shape firm responses. Quantitative studies could also integrate performance indicators to examine how specific capabilities—such as digitalization or ESG readiness—affect supply-chain inclusion and FDI attraction. In addition, future work may explicitly employ the Resource-Based View (RBV), Dynamic Capabilities, or Porter’s Diamond framework to analyze how firms mobilize internal resources and reconfigure capabilities in response to macro-level uncertainty. These extensions would deepen the analytical grounding and further align this line of inquiry with mainstream international business and strategic management scholarship.

REFERENCES

- Asian Development Bank. (2019). *Asian Development Bank Thailand: Industrialization and economic catch-up*. Asian Development Bank. <https://www.adb.org/sites/default/files/publication/178077/tha-industrialization-econ-catch.pdf>
- Aguilar, F. J. (1967). *Scanning the business environment*. Macmillan. OCLC 495475137.
- Association of Southeast Asian Nations. (2021). ASEAN-China Free Trade Area. <https://asean.org/asean-china-free-trade-area-acfta/>
- Breslin, S. (2021). Decoupling and the evolving political economy of US–China relations. *China International Strategy Review*, 3(2), 115–132. <https://doi.org/10.1007/s42533-021-00087-4>
- Chambers, P. (2021). Thailand’s foreign policy in a polarized world. *Contemporary Southeast Asia*, 43(3), 345–366.
- Chukwuma, N. A., Ngoc, L. M., & Mativenga, P. (2024). The US-China trade war: interrogating globalisation of technology. *Cogent Social Sciences*, 10(1). <https://doi.org/10.1080/23311886.2024.2365509>
- Cui, L., Ahlstrom, D., & Makino, S. (2023). Strategic responses to geopolitical uncertainty: Reconfiguring global value chains. *China International Strategy Review*, 5(1), 41–60.
- Eisenhardt, K. M., & Graebner, M. E. (2007). Theory building from cases: Opportunities and challenges. *Academy of Management Journal*, 50(1), 25–32.
- Gereffi, G. (2021). What does the COVID-19 pandemic teach us about global value chains? The case of medical supplies. *Journal of International Business Policy*, 4, 287–301.
- Gillespie, A. (2011). PESTEL analysis of the macro-environment. In *Foundations of economics* (pp. 1–5). Oxford University Press.
- Hossain, M. T. B., Naoumova, I., Nardi, N. K., & Liou, R. S. (2025). From the US–China decoupling to a multifoci network: MNCs’ adaptive responses. *Business Horizons*. <https://doi.org/10.1016/j.bushor.2025.04.007>
- Hu Y, Tian K, Wu T, Yang C. (2021). The Lose-Lose Consequence: Assessing US-China Trade Decoupling through the Lens of Global Value Chains. *Management and Organization Review*, 17(2), 429–446. [doi:10.1017/mor.2021.19](https://doi.org/10.1017/mor.2021.19)
- Johnson, G., Scholes, K., & Whittington, R. (2017). *Exploring strategy: Text and cases* (11th ed.). Pearson Education.
- Kahiya, E. T. (2018). Five decades of research on export barriers: Review and future directions. *International Business Review*, 27(6), 1172–1188. <https://doi.org/10.1016/j.ibusrev.2018.04.008>
- Korwatanasakul, U. (2023). Thailand and the middle-income trap: an analysis from the global value chain perspective. *Institutions and Economies*, 7–33.

US–China Decoupling:

To What Extent Are Thai Companies Prepared to Benefit from the Ongoing Trade Dispute?

- Lee, J. (2019). The end of Chimerica: the passing of global economic consensus and the rise of US–China strategic technological competition. *Strategic Insight*, 136.
- Liu, K. (2025). America’s decoupling from China narrative: development, determinants, and policy implications. *Journal of Information Technology & Politics*, 22(1), 32–48.
- Luo, Y. (2022). Illusions of techno-nationalism. *Journal of International Business Studies*, 1–18.
- Miller, J. W., Jin, Y. H., & Ortega, D. L. (2025). Shock and Awe: A Theoretical Framework and Data Sources for Studying the Impact of 2025 Tariffs on Global Supply Chains. *Journal of Supply Chain Management*.
- Nandonde, F. A. (2019). The impact of PESTEL factors on the bank performance: Empirical evidence from Tanzania. *Journal of Accounting, Finance and Auditing Studies*, 5(4), 15–28.
- Oliver, C. (1991). Strategic responses to institutional processes. *Academy of management review*, 16(1), 145–179.
- Park, D. (2020). COVID-19, China, and regional integration in Asia. Asian Development Bank Institute Working Paper Series.
- Petricevic, O., & Teece, D. J. (2019). The structural reshaping of globalization: Implications for strategic sectors, profiting from innovation, and the multinational enterprise. *Journal of International Business Studies*, 50(9), 1487–1512.
- Ramamurti, R. (2012). What is really different about emerging market multinationals? *Global Strategy Journal*, 2(1), 41–47. <https://doi.org/10.1002/gsj.1025>
- Taye, D. (2024). The Navigating Strategies of Middle Powers in an Era of Great Power Rivalry: Drawing Strategic Lessons from Japan, India and Indonesia. *Ethiopian Journal of Strategic and International Affairs (EJSIA)*, 1(1), 108–122.
- Tung, R. L., Zander, I., & Fang, T. (2023). The Tech Cold War, the multipolarization of the world economy, and IB research. *International Business Review*, 102195.
- Witt, M. A. (2019). De-globalization: Theories, predictions, and opportunities for international business research. *Journal of International Business Studies*, 50(7), 1053–1077. <https://doi.org/10.1057/s41267-019-00219-7>
- Witt, M. A., & Lewin, A. Y. (2007). Outward foreign direct investment as escape response to home country institutional constraints. *Journal of International Business Studies*, 38(4), 579–594. <https://doi.org/10.1057/palgrave.jibs.8400285>
- Witt, M. A., Lewin, A. Y., Li, P. P., & Gaur, A. (2023). Decoupling in international business: Evidence, drivers, impact, and implications for IB research. *Journal of World Business*, 58(1), 101399. <https://doi.org/10.1016/j.jwb.2022.101399>

- Yip, G. S., & McKern, B. (2016). Innovation networks in emerging markets. *MIT Sloan Management Review*, 57(3), 55–62. <https://sloanreview.mit.edu/article/innovation-networks-in-emerging-markets/>
- Yuan, N. (2020). Reflections on China–US relations after the COVID-19 pandemic. *China International Strategy Review*, 2(1), 14–23.
- Yüksel, I. (2012). Developing a multi-criteria decision-making model for PESTLE analysis. *International Journal of Business and Management*, 7(24), 52–66. <https://doi.org/10.5539/ijbm.v7n24p52>
- Zeng, K., Wells, R., Gu, J., & Wilkins, A. (2022). Bilateral tensions, the trade war, and US-China trade relations. *Business and Politics*, 24(4), 399–429. <https://doi.org/10.1017/bap.2022.8>
- Zhang, J., & Shi, S. (2020). The US Unanticipated costs of decoupling from China. *China & World Economy*, 28(6), 1–27.
- Zhang, K. H. (2023). US-China Economic Links and Technological Decoupling. *The Chinese Economy*, 1–13.