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Political Aspects for Investment: Opportunities and Challenges for the Republic of Korea and Thailand under New Government

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Abstract

The Eastern Economic Corridor (EEC) is a cornerstone of Thailand's *Thailand 4.0* strategy, designed to establish the country as a regional hub for trade, investment, and innovation. Spanning the provinces of Chonburi, Rayong, and Chachoengsao, the EEC prioritizes high-tech industries such as advanced automotive manufacturing, biotechnology, and renewable energy. Major infrastructure projects-including the expansion of U-Tapao Airport, the development of high-speed rail, and the modernization of port facilities-serve as catalysts for economic growth. To attract foreign investment, the Thai government has introduced a suite of incentives, reinforcing Thailand's position as a strategic gateway to ASEAN.

The Republic of Korea (ROK) plays a pivotal role in the EEC's development, leveraging its expertise in advanced industries and renewable energy to strengthen regional cooperation and support Thailand's economic ambitions. This study examines investment opportunities for the ROK within the EEC, analyzing key factors influencing Thailand's economic growth from 1980 to 2022, including infrastructure development, government incentives, ROK foreign direct investment (FDI), and technology transfer.

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However, a comprehensive evaluation requires attention not only to the opportunities but also to the structural challenges and potential downsides of such investment flows. While large-scale FDI inflows contribute to infrastructure and employment, they may also produce uneven local benefits, limited spill-overs to small and medium enterprises, and profit repatriation that constrains domestic capital accumulation. Overreliance on foreign capital can further crowd out local industries and deepen regional inequalities within Thailand's economy. A rigorous academic inquiry must therefore address both the enabling factors and the possible adverse outcomes of Korea-Thailand investment cooperation. Only through such balanced analysis can policymakers assess the EEC's real contribution to sustainable and inclusive development.

Keywords

Thailand's Eastern Economic Corridor (EEC), Foreign Direct Investment (FDI), Political and Economic Influence.

Introduction

Thailand's Eastern Economic Corridor (EEC) is a flagship initiative under the Thailand 4.0 strategy, aimed at advancing the country toward a high-income economy through innovation and targeted foreign investment. With strong infrastructure support and policy incentives, the EEC has drawn attention from strategic partners such as the Republic of Korea (ROK), whose contributions to high-tech and digital sectors align with Thailand's regional development goals. This paper examines how political and economic cooperation, particularly with ROK, is shaping investment flows in the EEC.

Thailand's EEC is progressing under a new five-year development plan (2023-2027), targeting 500 billion baht (approximately USD 13.7 billion) in investments, with a focus on enhancing infrastructure and promoting high-tech industries (Bangkok Post, 2024). To attract foreign investors, a 10-year visa scheme with various benefits is set to launch in 2024. Positioned as a central hub for tourism and business in Thailand's eastern region, the EEC leverages its strategic location and improved connectivity. However, challenges such as environmental concerns and the need for effective policy implementation persist. Despite these obstacles, the EEC remains pivotal to Thailand's economic strategy, driving its transformation into a leading ASEAN economic zone through investment incentives, industry promotion, and sustainable development efforts.

In addition to its focus on industrial development, the EEC also aims to boost Thailand's competitiveness as a regional trade and innovation hub within ASEAN. The ROK plays a vital role in supporting this vision through its investments in advanced industries like electronics, automotive, smart manufacturing, and renewable energy. These contributions align with the EEC's goals and strengthen Thailand's position in the global economy. ROK's investment in digital infrastructure further enhances Thailand's innovation agenda, while the EEC serves as a gateway for ROK companies to access Southeast Asian markets, fostering stronger regional trade ties. The close diplomatic and cultural relationship between Thailand and the ROK further solidifies their collaboration on the EEC project, positioning Thailand for long-term economic growth and sustainability.

By fostering sustained cooperation on political, economic, and bilateral fronts, Thailand aims to further enhance its investment partnership with the ROK. Strengthening economic ties and political collaboration between the two nations is expected to drive long-term trade and investment growth within the EEC. In the first three quarters of 2024, the Thailand Board of Investment (BOI) reported a total of 2,195 investment applications, marking a 46.2 percent increase compared to the same period in 2023. The total investment value reached 722.5 billion baht (approximately $20.76 billion USD), reflecting a 41.8 percent rise. Foreign direct investment (FDI) applications totaled 1,449, representing a significant 63.9 percent increase from the previous year. The total value of FDI amounted to 546.6 billion baht (about $15.7 billion USD), showing a growth of 38.2 percent. For example, ROK investments in Thailand's renewable energy and digital infrastructure sectors significantly bolster Thailand's innovation-driven objectives. In 2022, South Korea allocated approximately 38.2percent of its renewable energy investments to solar power, reflecting its commitment to clean energy (Statista, 2022). This expertise aligns with Thailand's projected investment needs of THB 779 billion (USD 22 billion) in new renewable power from 2022 to 2037 OECD, 2024).

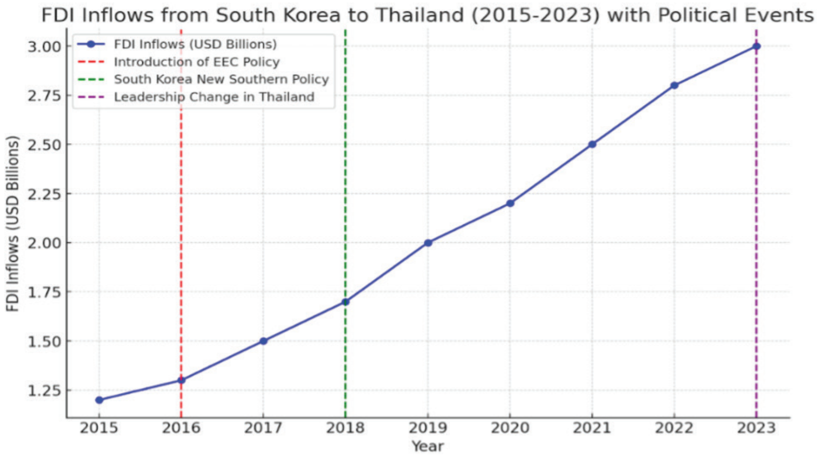

Figure 1 The ROK FDI Inflows to Thailand (2015-2023) in Relation to Key Political Events.

Source: Thailand Board of Investment (BOI)

To analyze the ROK Foreign Direct Investment (FDI) inflows to Thailand from 2015 to 2023, it is essential to examine the influence of key political events on this economic relationship because these events demonstrate how the ROK has strategically introduced investment associated with trade policies aligned with Thailand's EEC initiative, fostering a mutually beneficial environment for long-term economic growth. The alignment of the ROK's foreign investment policies with Thailand's EEC development policy also highlights their longstanding political cooperation, manifested in their 2022 celebration of the 10th anniversary of their Strategic Partnership, which underscores their shared commitment to regional peace and stability. However, there are also showcases of an economic strategy aimed at deepening bilateral investment and trade relations, ultimately contributing to sustainable development for both nations. For example, as reported by *The Korea Times* (2024), while the Republic of Korea already maintains trade agreements with Thailand through the ROK-ASEAN FTA and the Regional Comprehensive Economic Partnership (RCEP), there remains substantial potential to strengthen bilateral trade and economic collaboration.

However, achieving this will require further negotiation and enhanced cooperation. Moreover, referring to the RCEP, one of the world's largest free trade agreements, its 15 member nations collectively represent around 30 percent of the global GDP. Therefore, the Economic Partnership Agreement (EPA) between the ROK and Thailand, as specifically designed for these two nations, will establish a stronger policy foundation to elevate their bilateral economic cooperation to new heights.

The analysis of the ROK Foreign Direct Investment (FDI) inflows to Thailand from 2015 to 2023 reveals a steady upward trend, even amidst significant political events (as shown in Figure 1). In 2016, the Thai government introduced the EEC, a special economic zone designed to attract investment. By 2018, FDI from the ROK increased notably, driven by South Korea's efforts to expand its New Southern Policy, which aims to strengthen investment ties with Southeast Asian nations, including Thailand. This policy has supported the growth of Thailand's high-tech industries and economic development while providing Korean companies with access to new markets and business opportunities.

By 2023, new dynamics brought about by a change in Thailand's political leadership may have had an impact on investment and economic policy. ROK and Thailand have strengthened economic cooperation by launching negotiations for an EPA. This aims to boost trade and investment, particularly in sectors like electric vehicles, IT, and biotechnology. The EPA builds on existing agreements like the ASEAN-ROK FTA, focusing on enhancing Thailand's competitiveness and attracting more ROK investments in advanced industries. Major ROK firms, such as Samsung and KIA, have already increased their presence in Thailand's high-tech sectors. During the government of Prime Minister Prayut Chan-o-cha, Thai-Korean economic relationship-policy makers focused on *maintaining* trade value between Thailand and South Korea and encouraging investments in future industries, as well as cooperation on green policies. In contrast, the he Pheua Thai-led government emphasizes expanding cooperation through FTA negotiations, opening markets for agricultural products, attracting investments in high-tech industries, and revitalizing mechanisms for trade and investment promotion between the two countries.

These political transitions could influence regulatory frameworks and investor confidence, thereby affecting the volume and stability of FDI inflows (Thailand Board of Investment, 2023). As of late 2024, although Thailand continues to report an overall increase in both the rate and total value of approved investments, investors have expressed concerns regarding the effects of frequent changes in **Thai** political leadership on policy continuity and economic governance. Future FDI trends are likely to depend on the new Thai government's priorities, particularly in its approach to bilateral economic agreements and its engagement with the Republic of Korea's investment interests. Ensuring a consistent policy environment and maintaining macro-political stability will therefore be essential for sustaining investor confidence and supporting the long-term trajectory of FDI inflows.

The economic partnership between Thailand and the ROK continues to exhibit significant trade and investment activity. According to OEC World (2024), bilateral trade between the two nations has experienced slight fluctuations in recent years. In 2024, ROK exports to Thailand declined to approximately $599 million, down from $672 million in 2023. Similarly, imports from Thailand fell from $687 million in 2023 to $619 million in 2024. Despite these shifts, the trade balance remains relatively stable, with the ROK recording a modest trade deficit of $20.6 million. Beyond trade, the Republic of Korea (ROK) remains a key source of foreign direct investment (FDI) in Thailand. This investment is particularly concentrated in the manufacturing, electronics, and automotive sectors (Ministry of Economy and Finance, 2023).

However, in 2023, ROK's outbound FDI in Asia declined sharply by 47.3 percent, largely due to global economic challenges, including rising interest rates and China's economic slowdown (KITA, 2024). In light of these challenges, closer collaboration between the Thai and Korean governments is crucial to mitigating investment risks and enhancing the business environment. While Thailand could advance its development agenda independently, Korea's technological expertise in areas such as renewable energy, smart manufacturing, and infrastructure offers valuable complementarities. Such cooperation would accelerate technology transfer and policy implementation, strengthening Thailand's transition toward a high-tech and sustainable economy. Strengthening policy incentives, regulatory frameworks, and economic cooperation will be essential in supporting bilateral investment growth.

While the ROK seeks to strengthen its economic engagement with Thailand, it must navigate challenges posed by international competition, particularly from Japan. According to Woon (2012), one of the key barriers to expanding ROK-Thai trade and investment cooperation is the Thai government's preferential support for Japanese investments. Japanese firms are perceived as major international competitors, prompting ROK businesses to redirect their investments to alternative ASEAN markets, such as Indonesia and the Philippines, where lower labor costs provide additional incentives.

Additionally, many small and medium-sized enterprises (SMEs) in the ROK face difficulties in accessing investment-related information and understanding regulatory processes in Thailand. These factors have limited the expansion of Korean investment in Thailand, despite the potential offered by the EEC. Given these challenges, a deeper economic and political analysis is required to examine:

1. The opportunities and challenges for the ROK and Thailand in expanding their political and economic cooperation to attract greater Korean investment in Thailand.
2. The opportunities and challenges posed by competing investment frameworks, and how the ROK and Thailand can strategically navigate these to enhance Korean participation in the EEC's development.

By addressing these critical aspects, this research aims to contribute to a more comprehensive understanding of the ROK's investment strategy in Thailand and its long-term economic implications for the EEC and ASEAN region.

Literature Review

EEC and National Development Policy

Several studies underscore the critical role of national strategic planning in driving the success of Thailand's EEC. The Eastern Economic Corridor Development Act of 2018 represents a foundational legal instrument that supports Thailand's transition to an innovation-based economy (Budget Bureau, 2023). Kang (2019) situates the EEC within the broader vision of Thailand's 20-year strategic framework, emphasizing its focus on high-tech industry promotion and foreign investment attraction. Wongwuttiwat and Lawanna (2018) add that the EEC is tightly aligned with digital transformation objectives under the Thailand 4.0 initiative, reinforcing its role in lifting Thailand from middle-income status to a regional innovation hub. Collectively, these studies highlight how legislative, digital, and economic strategies intersect to shape the EEC's long-term success. While national policy sets the foundation, regional political dynamics also play a crucial role in shaping investment outcomes, particularly in relation to Korea's engagement within ASEAN.

Regional and Political Cooperation

Regional cooperation frameworks are crucial for understanding the geopolitical context of the EEC. Ratchatapibhunphob et al. (2022) explore the complexities of regional alliances in the Greater Mekong Sub-region (GMS), where Thailand and the ROK aim to deepen economic ties beyond traditional superpowers. Their findings underscore that while the ASEAN, Lancang-Mekong, and Belt and Road frameworks offer growth potential, they also introduce political balancing challenges. Furthermore, trade openness and financial development appear to reinforce one another within GMS cooperation, thereby enhancing the effectiveness of FDI inflows. These findings suggest that closer political coordination between Thailand and the Republic of Korea-such as harmonizing investment regulations, creating joint investment facilitation mechanisms, and aligning sectoral incentives-can foster an enabling environment for sustainable regional development. Beyond intergovernmental coordination, the success of the EEC also depends on Thailand's capacity to strengthen digital infrastructure and institutional readiness for technological transformation.

Furthermore, both nations have demonstrated interest in policy alignment. For instance, the ROK's "New Southern Policy" prioritizes ASEAN countries, including Thailand, as key partners for economic collaboration and technology transfer. Thailand, on the other hand, has positioned the EEC as a regional hub for logistics and innovation, supported by initiatives like the High-Speed Rail Linking Three Airports project and the development of the U-Tapao International Airport. By aligning these strategies, the ROK could contribute through technology transfer, innovation, and investments in advanced industries such as robotics, bio-technology, and AI, complementing Thailand's EEC vision and fostering mutual economic growth.

Digital Transformation and Technological Readiness

The role of digital infrastructure in enhancing the EEC's competitiveness has been examined through multiple lenses. Wongwuttiwat and Lawanna (2018) argue that Thailand's Digital Strategy, supported by the ASEAN ICT Master Plan and Thailand's socio-economic frameworks, is central to building a digital hub within the EEC. The World Economic Forum (2018).

FDI, Macroeconomic Policy, and Investment Drivers

A range of macroeconomic studies emphasize the importance of sound fiscal and labor policies-such as stable tax regimes, prudent public investment, human-capital development, and flexible labor market regulations-in maximizing FDI outcomes. Ishikawa (2021) highlights the significant influence of employment rates and job creation strategies in boosting economic development within ASEAN Free Trade Areas. His analysis connects fiscal tools-such as tax incentives and employment policies-to broader economic resilience and private sector confidence. However, challenges remain for less developed economies where misaligned tax systems and politically motivated spending can limit long-term productivity. These insights are particularly relevant to Thailand as it seeks to create an attractive and stable environment for FDI within the EEC. In practice, however, fiscal misalignments-such as overlapping tax incentives, sectoral favoritism, and weak enforcement-combined with politically motivated spending on short-term or constituency-driven projects, have undermined policy coherence. Addressing these structural distortions through transparent, rules-based fiscal coordination would enhance the credibility and effectiveness of Thailand's FDI regime. These macro-level issues are further complicated when viewed through a comparative regional lens, where Thailand's structural limitations-such as fragmented investment regulation, skill shortages, uneven infrastructure, and policy instability-undermine its competitiveness within ASEAN. In contrast to countries like Vietnam and Malaysia, where centralized investment procedures and strong human-capital development frameworks enhance investor confidence, Thailand continues to face institutional and capability gaps that constrain the effectiveness of FDI-led growth.

Institutional Reforms and Investment Policy Framework

Moreover, the World Bank (2021) has advised that a strategy to significantly enhance the level of various aspects of government policy is necessary for the development of trade and investment in Thailand through bilateral forms of cooperation. The Thai Board of Investment (2023) has emphasized the importance of streamlined rules and processes. These serve to reduce bureaucratic barriers involved in registering property, getting permits, and launching a firm. In turn, these endeavors will ensure that foreign investment is able to access the Thai market more easily and will thus be more persuaded to explore economically underinvested areas. Further incentives include tax cuts, grants, and subsidies. According to UNCTAD (2020), another area in which investment may be incentivized is through the continued development of infrastructure around ports, digital communication and transportation networks. Building a workforce with the necessary skills is equally vital. This may be achieved through fostering education and skill training programs (OECD, 2019).

Encouraging research and development through incentives and support for innovation can also result in the creation of new products and technologies which make Thailand more competitive on the international market (ADB, 2022). Promoting free trade policies and lowering trade protections is essential to increasing access to the international markets for Thai goods and services (WTO, 2021). Support tailored to the needs of certain industries can lead to specialization and increased competitiveness in areas where Thailand has a comparative advantage (McKinsey, 2022). Improving investment promotion entities such as the Thailand Board of Investment (BOI) will facilitate potential investors in navigating the investment landscape to an even greater extent (BOI, 2023). Through stricter regulation and enforcement, investor rights will be maintained, innovation and technology transfer will be promoted, and intellectual property protection will be enhanced (WIPO, 2021). Encouraging public-private partnerships can help in addressing infrastructure needs and developing investment-friendly policies (ADB, 2020).

Therefore, trade is facilitated and businesses have more opportunity to participate in cross-border activities when they embrace digital transformation and e-commerce (World Economic Forum, 2021). Thailand's potential is brought to the attention of foreign investors through active investor outreach and marketing via focused campaigns and investment forums (BOI, 2023). Promoting sustainable development and environmentally-friendly business practices will attract investors who prioritize sustainability (UNCTAD, 2021). Building investor trust and encouraging long-term investments ultimately depends on preserving political stability and assuring openness in governance (World Bank, 2021).

Comparative Regional Analysis and Structural Challenges

Comparative assessments reveal structural barriers that may hinder Thailand's regional competitiveness. The World Trade Organization (2019) points to ASEAN economic integration as a successful model for promoting regional investment, but warns that domestic factors such as innovation gaps and infrastructure quality remain critical constraints. Ishikawa (2021) and the World Economic Forum (2018) also emphasize that countries with poor governance or corruption tend to struggle more with employment generation and efficient tax use. These findings suggest that Thailand must continue structural reforms-especially in innovation capacity, education, and transparency-if it wishes to maintain momentum within the EEC and become a true regional economic leader.

Methodology

This research will primarily employ a mixed-method approach to investigate the political factors shaping investment opportunities and challenges between the ROK and Thailand, particularly under the leadership of newly formed governments in both countries. The study aims to analyze how economic perspectives influence bilateral investment strategies and decision-making processes. For example, firstly qualitative data will be drawn from existing secondary sources, such as the relationship between independent and dependent factors. A special emphasis will be placed on sources that discuss the evolving political landscape in the ROK and Thailand, and how governmental policies (1980~2022) are shaping investment climates. Data collection from The Export-Import Bank of Korea will include contributions from political analysts, economists, and regional experts, providing insights into how political shifts affect the investment environment. Second, the primary aim of this paper is to quantify the economic impact of Korean FDI on Thailand's GDP growth and to evaluate how supporting factors-namely infrastructure development, investment incentives, and technology transfer-mediate this relationship. While technology transfer is included as an explanatory variable, it is treated as an *intermediate channel* through which FDI may enhance productivity, rather than as a separate research objective.

Data and Econometric Model Implementation

According to our regression analysis (Table 1), several factors significantly influence Thailand's economic growth. The volume of the ROK Foreign Direct Investment (FDI) has a coefficient of 0.50, with a highly significant t-statistic of 3.30, while the level of infrastructure development shows a coefficient of 0.45 and a t-statistic of 2.58. Additionally, government incentives have a coefficient of 0.35, with a t-statistic of 2.43, and technological transfer demonstrates the strongest impact, with a coefficient of 0.60 and a highly significant t-statistic of 3.48. All these independent variables are closely associated with Thailand's economic growth. Our findings suggest that these factors play a critical role in shaping Thailand's EEC related economic development, underscoring the importance of international investment, infrastructure development, policy support, and technological advancement in fostering sustainable growth.

Table 1 Times Series Regression Result (1980~2022)

Explanatory Variables	GDP Growth	Number of Each Variables
Constant (α)	2.0 (2.0)**	
FDI ($\beta 1$)	0.50 (3.30)***	168
Infrastructure Development ($\beta 2$)	0.45 (2.58)**	40
Government Incentives Announcement ($\beta 3$)	0.35 (2.43)**	33
Technological Transfer ($\beta 4$)	0.60 (3.48)***	27
R^2	0.64	
Adjusted R^2	0.62	
Durbin-Watson	1.86	
Number of observations	43	
Constant (α)	2.0 (2.0)**	
FDI ($\beta 1$)	0.50 (3.30)***	168

Note: Constant terms are not reported for brevity.

Robust standard errors are in parentheses.

*, **, *** indicate the significance level at 10 percent, 5 percent, and 1 percent, respectively

The number of entries for each variable indicates total availability. However, the regression used 43 observations with complete data across all variables.

In the context of FDI in Thailand (as shown in Table 1), investment from the Republic of Korea plays a critical role in advancing the Thailand 4.0 strategy, a national initiative to shift the economy toward high-value and technology-intensive sectors. The Eastern Economic Corridor (EEC) is central to this transformation, serving as the hub for high-tech and knowledge-based industries. Within this framework, innovation refers to measurable improvements in technological capability and productivity, captured through indicators such as R&D expenditure, patent registrations, and industry-university collaborations. These reflect the degree to which foreign investment-particularly from Korea-contributes to the diffusion of advanced technologies and knowledge across sectors.

The Thailand 4.0 strategy targets key sectors including advanced electronics, digital technology, biofuels, biotechnology, and robotics. Using time series regression analysis, our results show that technological transfer and FDI exhibit the strongest associations with GDP growth, indicating that Korea's investment contributes not only capital inflows but also the diffusion of innovation capacity through technology adoption and skill upgrading.

The ROK's FDI plays an important role in advancing Thailand's 4.0 strategy, particularly in key sectors such as advanced electronics, biotechnology, and the digital economy. Despite a recent decline in the ROK's FDI inflows, Thailand's large-scale infrastructure projects and favorable investment incentives offer significant opportunities to enhance bilateral cooperation. For instance, in the first quarter of 2024, Thailand attracted 472 FDI projects, a 41 percent increase compared to the same period last year, with total investments of 198.3 billion baht (55.61 billion USD), representing a 13 percent year-on-year increase. China led with an FDI inflow of 68.3 billion baht (19.14 billion USD), marking a 104 percent increase from the previous year. Singapore followed in second place with 53.9 billion baht (15.10 billion USD), a 27 percent year-on-year increase, and Hong Kong ranked third with 24.3 billion baht (6.81 billion USD), experiencing a significant 387 percent increase. However, the ROK was ranked 13th with an FDI amount of 600 million baht (0.17 billion USD), showing a 94 percent decrease compared to the previous year (Thailand BOI, 2024).

According to the ASEAN-Korea Centre (2020), ROK investment has contributed advanced technologies to key industries such as electronics and automotive manufacturing, aligning with Thailand's push for high-tech industrialization. Leading ROK corporations have established manufacturing hubs in Thailand, generating thousands of jobs and equipping local workers with high-tech skills. As of the end of 2023, Samsung employed approximately 2,717 individuals in Thailand (Board of Investment of Thailand, 2023). In addition, ROK investments have stimulated growth in renewable energy and digital infrastructure, enhancing Thailand's global competitiveness. By integrating Thailand into ROK's regional supply chains, these investments fortify Thailand's position in international trade and deepen economic ties between the two nations. In 2022, the total trade value between South Korea and Thailand reached approximately USD 16.5 billion (Park & Shin, 2023). However, without global and regional comparisons, it is difficult to evaluate the true importance of this relationship to either country. Japan remains Thailand's most influential long-term economic partner, while China has emerged more recently as a formidable contender in trade and investment relations across Southeast Asia. Against this backdrop, South Korea's engagement with Thailand-though modest in scale-plays a strategically complementary role within the region's competitive economic landscape. These economic linkages underscore the strategic importance of ROK's FDI in advancing Thailand's industrial and technological capabilities, reinforcing bilateral trade and investment cooperation

The Thai government is focusing on several major infrastructure projects to enhance economic growth and connectivity. Apart from the EEC, key national infrastructure initiatives include the expansion of Bangkok's mass transit system, the construction of high-speed rail links connecting major regions, and the modernization of airports and ports to enhance connectivity and logistics efficiency. Additionally, the expansion of Bangkok's mass transit system is a priority, with new rail lines and extensions to reduce congestion. The high-speed rail project linking Bangkok to the northeastern and northern regions, as well as the Laem Chabang Port expansion, are also crucial for boosting trade and regional connectivity.

Other key projects focus on expanding digital infrastructure through 5G coverage and renewable energy to support Thailand's modernization efforts. While 5G may enhance industrial efficiency, its environmental benefits are indirect and depend on the energy mix used. Major private players, such as the CP Group, are leading these initiatives, which remain concentrated in Bangkok and the EEC. As a result, claims of "balanced and inclusive" growth are debatable, especially since infrastructure access and travel costs may remain prohibitive for many Thais.

In the case of infrastructure development as presented in Table 2, the Thai government is pursuing large-scale investments totaling over $84 billion. This includes plans for infrastructure investments such as railways (approximately $60.8 billion), water management projects (approximately $22.5 billion), and smart city initiatives (investment size yet to be determined). While the Thai government encourages ROK participation in infrastructure projects, cooperation has been constrained by factors such as Thailand's preferential support for Japanese investors, political instability, regulatory uncertainty, and limited institutional access for Korean SMEs. Moreover, competition from other ASEAN markets offering more attractive incentives has diverted ROK investment away from Thailand.

Table 2 Major Infrastructure Projects Currently Being Promoted by the Thai Government

Classification	Size	Key points
Water Management Plan	$22.5 billion	Comprehensive Water Resource Management, including flood prevention, water supply security, and water quality improvement
Infrastructure Investment Plan	$60.8 billion	Expansion of Transportation Infrastructure with neighboring countries, including railways, aviation, and waterways
THEOS-2	$200 million	Development of Earth observation satellites and operation of ground stations
Smart City	TBD	Phuket and Chiang Mai Smart City Infrastructure and Data Center Development

Source: Yonhap News Agency. (2016, March 22)

Korean companies have significant opportunities to collaborate with Thailand in advancing high-tech industries and sustainable development within the EEC. One key area of cooperation is the development and manufacturing of advanced electric vehicle (EV) batteries and charging infrastructure, leveraging the EEC's growing demand for green technology and Thailand's push toward sustainable mobility solutions, such as promoting electric vehicle (EV) production, expanding charging infrastructure, and supporting renewable energy integration under the Thailand 4.0 and EEC frameworks. Additionally, Korea's expertise in artificial intelligence (AI) presents an opportunity to establish smart factories within the EEC, enhancing production efficiency, automation, and digital transformation in Thailand's manufacturing sector. This integration of AI-driven solutions would accelerate Thailand's transition to Industry 4.0, reinforcing its competitiveness in the global industrial landscape. Furthermore, Korean investments in renewable energy projects, such as solar and wind power, could support Thailand's sustainability targets, aligning with the nation's goal of becoming a high-tech, low-carbon industrial hub (Statista, 2022; OECD, 2024). By fostering strategic partnerships in these sectors, Korea and Thailand can drive technological innovation, economic growth, and environmental sustainability, strengthening their bilateral economic ties and the long-term success of the EEC.

Despite the complementary potential between Thailand and the Republic of Korea, several factors may make Korean firms hesitant to expand investment or deepen cooperation in Thailand. These include overlapping industrial priorities, competition for similar investor bases, and uncertainties surrounding Thailand's political and regulatory environment. In some cases, firms perceive greater opportunities in other ASEAN markets-such as Vietnam or Indonesia-where incentives are clearer and market entry conditions are more predictable. The following table summarizes the key challenges, associated risks, and potential impacts arising from competing or overlapping investment strategies between Thailand and the ROK.

Table 3 The risks and impacts of competing investments between Thailand and the ROK

Challenge	Risk	Impact
1. Industry Saturation and Overinvestment	Overinvestment in the same sectors (e.g., technology, manufacturing) could oversaturate the market.	Lower profitability for both Thailand and the ROK, reducing overall economic benefits.
2. Price Competition and Profit Erosion	Intense competition may lead to price wars as both countries lower prices to attract investors.	Profit margins shrink, jeopardizing the long-term sustainability of industries.
3. Diminished Appeal for Foreign Investors	Competing for similar foreign direct investments (FDI) may create uncertainty for investors.	Reduced overall foreign investment as investors seek more stable markets.
4. Diplomatic Tensions	Economic rivalry could strain diplomatic and trade relations between Thailand and the ROK.	Potential hindrance to cooperation on regional and global economic initiatives.
5. Inefficient Resource Allocation	Resources (capital, labor, infrastructure) may be spread thin across industries due to competition.	Reduced effectiveness of investments, leading to inefficiencies in economic growth.
6. Environmental and Social Concerns	Uncoordinated development strategies could cause environmental degradation and social unrest.	Exacerbation of issues such as resource depletion and displacement of local communities.
7. Sensitivity to Global Market Changes	Both countries could face external shocks if they invest heavily in volatile industries (e.g., electronics, automobiles).	Increased vulnerability to global recessions or trade disruptions, impacting both economies.

Source: Table adapted from the result of regression model (Table 1).

Table 3 provides a clear and comprehensive organization of the risks and impacts of competing investments between the ROK and Thailand. For example, the difficulties Thailand and the ROK are facing in their economic cooperation have a number of risks and possible consequences. Initially, market oversaturation could stem from industry saturation and excessive investment in sectors such as manufacturing and technology, leading to lower profits for both nations and decreasing overall economic benefits. Price competition and erosion of profits present significant dangers too. Fierce rivalry could lead both countries to lower prices to attract investors, resulting in decreased profit margins and endangering the sustainability of crucial businesses. Furthermore, if the ROK and Thailand compete for similar levels of FDI, it could diminish the appeal for international investors, causing them to seek out more reliable markets.

Economic competition may also result in diplomatic challenges, potentially straining trade ties between the ROK and Thailand which would hinder cooperation on global and local initiatives. Another problem is the ineffective allocation of resources. This results in labor, nfrastructure, and capital being spread too thin across competing industries hindering all of them as a result. Unplanned development methods can result in environmental harm as well as community displacement which may also lead to social issues.

In addition to technological benefits, such partnerships would contribute to overall economic growth by encouraging infrastructure improvements, including transportation networks and digital infrastructure, necessary for supporting advanced industries. Strengthening ties with the ROK through targeted investment policies would enable both nations to adapt and thrive in a rapidly evolving global economy, fostering a mutually beneficial relationship that enhances resilience and competitiveness in the face of emerging challenges. While a robust partnership with the Republic of Korea (ROK) may present opportunities for advancing Thailand's high-tech industrial ambitions, such optimism must be tempered by historical realities. Previous waves of foreign investment from Japan and the United States-despite generating employment and export growth-did not result in deep technological upgrading or significant empowerment of local firms, as much of the production remained in low value-added assembly (Yoshihara, 1988; Amsden, 1989). Similarly, Korea's earlier FDI in Thailand during the 1980s and 1990s was concentrated in labor-intensive sectors such as footwear and garments, with limited long-term spillovers to domestic industry (Lee, 1994). These experiences suggest that future cooperation will only be transformative if it addresses barriers such as technology transfer limitations, dependence on imported inputs, and weak local linkages. Rather than assuming automatic benefits, a critical analysis should examine how Korean investment could differ from earlier models to generate more inclusive and sustainable outcomes for Thailand's economy.

Conclusions

The ROK has become a key player in the development of Thailand's EEC, primarily through its FDI in high-tech sectors such as automotive, electronics, and biotechnology even in the face of global economic challenges. the ROK plays a critical role in bilateral cooperation between the two countries and to foster that relationship it is important to continue infrastructure development, increase government incentives, and promote technological transfer. These measures will also serve to promote sustainable economic growth. This study underscores the significance of Korean FDI and related factors on Thailand's GDP growth, particularly in relation to the Thailand 4.0 strategy. Although fluctuations in FDI present challenges, Thailand remains an attractive destination for foreign investors, especially from the ROK.

Our key recommendations, based on our regression model, is that Thailand and the ROK should focus on bilateral cooperation; strengthening their partnership by formalizing agreements focused on key sectors, including advanced electronics, electric vehicles, and digital technology. Furthermore, by leveraging the ROK's expertise in advanced technologies, Thailand has the opportunity to accelerate its own transition towards its Thailand 4.0 model for long term economic growth through research and development, smart industries, and automation. Therefore, we also recommend that Thailand should further enhance investment incentives such as tax holidays and Corporate Income Tax exemptions alongside providing support for investment in less developed regions, that Thailand work to simplify its regulations to help attract more ROK investors.

To increase investment from Korea into the EEC, the Thai government may consider implementing measures to provide tax relief such as temporary exemptions and a reduction in corporate income tax. Should Thailand implement such measures, it could attract Korean investments into key sectors including clean energy, electric vehicles, and advanced manufacturing. However, such incentives should be tied to benchmarks like employment creation, local partnerships, and knowledge transfer. This would help balance short-term revenue losses with long-term beneficial outcomes.

Finally, we strongly suggest that the ROK should expand its involvement in Thailand's major infrastructure projects such as water management, transportation, and smart city initiatives, capitalizing on its technological strengths to improve efficiency, effectiveness and long-term profits for both nations while deepening their international ties.

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