

ASEAN における経済安全保障および地政学リスク動向 Economic Security and Geopolitical Risk Trends in ASEAN

【要約】

2026年5月の第48回ASEAN首脳会議では、中東情勢の緊迫化を背景に、エネルギー安全保障が主要議題の一つとなった。資源確保を巡る各国間の競争が課題となっている。食糧安全保障やインフレ、4月の選挙を経て成立したとされるミャンマー新政権への対応などについても議論された。

また米国のトランプ政権は6月2日、強制労働問題を理由に、ASEAN主要国を含む60カ国に対して、10～12.5%の追加関税を提案。米中双方に依存するASEAN諸国は、大国間の板挟みと市場アクセスのコスト増に危機感を募らせている。

他方、ASEANデジタル経済枠組み協定(DEFA)が5月末に実質妥結。2030年までに2兆ドル規模の市場創出が期待される一方、データ・ローカライゼーションを巡る立場の違いなど、実施上の課題が懸念されている。

各国の動向として、インドネシアは資源輸出の政府管理を強化しつつ、多角的外交を継続。マレーシアでは2026年内も視野に入れた早期選挙の可能性がある一方、首相が人工知能(AI)関連投資を優先する姿勢を示す。フィリピンは日本と「包括的戦略的パートナーシップ」を締結したが、政権内の対立が激化。シンガポールはAI国家戦略による競争力強化と実利的な強靱性を追求。タイは新政権下で政治が安定し、データセンター誘致に注力。ベトナムは新指導部のもと、半導体やAIなど高付加価値産業への移行を加速させている。日本企業にとっては、米中対立に起因する供給網の変化、各国政府による産業政策・規制の強化や、政治情勢の変化に伴う政策の不確実性への配慮が一層重要となっている。また、EVやデジタルなどの戦略分野で優位性を確保しつつ、FTA・EPAや官民対話など既存の経済協力枠組みを活用したリスク管理が不可欠。他方、ASEANは従来の「比較的安定した生産・投資拠点」から、より高度な戦略判断が求められる複雑な市場へと変化しつつある。

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Economic security and geopolitical risk trends in ASEAN

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ASEAN POLICY AND ECONOMY UPDATES

POLICY AND ECONOMIC UPDATES

Energy policy a key topic 48th ASEAN Summit in the Philippines

Energy policy was a key topic at the ASEAN Summit in May. Most ASEAN countries are dependent on fuel imports from the Middle East for a large share of their energy needs, as high as 47% of total imports in Thailand, 37% in Singapore, and 26% in Vietnam.¹ ASEAN officials have called for stronger institutional coordination across member countries, as well as a regional fuel reserve. But while Southeast Asian countries share a common interest in ensuring energy security, they are also competitors for scarce imports, which limits the effectiveness of regional mechanisms.

In addition to energy, the meetings also touched on food security and inflation issues. As well, the question of how to engage with Myanmar remains under discussion, despite moves by some Southeast Asian countries to work with the new authorities in Naypyidaw put in place by the April elections.

The next major ASEAN meeting is the 49th ASEAN Summit, which is due to be held in November, also in the Philippines. Separately, Thailand will host the 2026 Annual Meetings of the Boards of Governors of the International Monetary Fund and the World Bank Group in Bangkok in October, an event that may help draw international attention to the region.

IMPACT OF U.S.-CHINA TENSIONS

United States Trade Representative concludes investigations into 60 countries, including Southeast Asia, related to tariffs

On June 2, the United States Trade Representative determined under Section 301 of the Trade Act of 1974 that 60 economies had failed to impose and effectively enforce a forced labour import prohibition, proposing tariffs of 10% to 12.5% for these 60 countries. The list includes several major ASEAN countries, specifically Cambodia, Malaysia, the Philippines, Singapore, Thailand, Vietnam and Indonesia.² The theoretically separate scrutiny on the trans-shipment issue is also continuing.

The imposition of new tariffs will affect Southeast Asia's exports to the United States. However, as the rates are essentially the same for all major Southeast Asian countries, there is not much immediate arbitrage opportunity. The June 2 announcement is a continuation of ongoing Trump administration policy to encourage "reshoring" of

¹ ASEAN+3 Energy Exposure Dashboard. <https://amro-asia.org/asean3-energy-exposure-dashboard/>

² USTR Makes Findings and Proposes Action in 60 Section 301 Investigations Relating to Failures to Take Action on Trade in Forced Labor Goods. June 2, 2026. <https://ustr.gov/about/policy-offices/press-office/press-releases/2026/june/ustr-makes-findings-and-proposes-action-60-section-301-investigations-relating-failures-take-action>

investment to the U.S., as well as create opportunities for bilateral trade deals. Nevertheless, the recent announcements of the new tariffs were widely expected, and received little comment from governments in the region, as they continue to worry about excessive bilateral penalties.

While Southeast Asia may see some benefit from the U.S. trade stance through encouraging companies to do business outside of China, most regional leaders overall appear concerned about new costs to access the U.S. market as well as the vicissitudes of Trump administration policy. There is also a sense among political leaders of being stuck between U.S. and China, with most Southeast Asian countries dependent on both world's biggest economies for their own supply chain and trade structures.

POLICY AND INDUSTRY DEVELOPMENTS IN STRATEGIC SECTORS

ASEAN Digital Economy Framework Agreement (DEFA) finalized, but questions remain around implementation

The ASEAN Digital Economy Framework Agreement was finalized on May 29, concluding several years of negotiations. The agreement is comprehensive, covering areas such as digital trade, cross-border e-commerce, data governance and privacy, digital identity, electronic payments, online safety and cybersecurity cooperation, competition policy, emerging technologies such as artificial intelligence, and digital talent mobility. ASEAN Ministers have noted that DEFA is expected to play a transformative role in unlocking the full potential of ASEAN's digital economy, which studies indicate could reach as much as USD 2 trillion by 2030 with its successful implementation.

The final agreement is due to be signed later this year. However, the key questions have always been around implementation by the ASEAN countries themselves. ASEAN is a broad region, with many different approaches to the digital economy. Countries like Vietnam and Indonesia have divergent views to issues like data localization than do other economies like Singapore. Moreover, a digital economy framework that is effective in Singapore may require adaptation to suit the different stages of development and local contexts in countries such as Laos and Myanmar. The most tangible progress may be in areas like concentrated anti-scam activities, and encouragement to further cross-border payment networks.

INDONESIA

POLICY AND ECONOMIC UPDATES

Indonesian economic growth steady, even as investor confidence dips

Indonesia has reported steady growth, but confidence among investors remains low due to underlying fiscal management and macro policy issues. In the first quarter of 2026, Statistics Indonesia (BPS) reported an expansion of gross domestic product (GDP) by 5.61 percent year-on-year, the highest since Q3 2022. Growth was mainly driven by seasonal momentum such as Eid Holiday, holiday bonus disbursement, and increased government spending for priority programs, which raises concern among analysts and experts over its long-term sustainability.

Despite robust growth numbers, the business picture in Indonesia is mixed. Investors are citing concerns over unsustainable spending and questioned the overall fiscal governance amidst growing geoeconomics pressure. As of April 2026, the state budget has accumulated a deficit of approximately USD 9.24 billion, a 58 percent increase from last year, which raises questions of fiscal prudence among investors. If not managed well, it could surpass the legal deficit threshold of three percent.

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The negative sentiment is also reflected by the depreciation of the rupiah, which has lost 6.1 percent of its value against the U.S. dollar since the start of the year. The Jakarta Composite Index has also weakened, decreasing by more than 30 percent year-to-date, as the rating agency MSCI downgraded Indonesia's market rating.³ Beyond investor confidence, the rupiah's depreciation inflicts a direct domestic consequence as imported goods and energy prices become more expensive, placing pressure on consumers. A sustained squeeze on purchasing therefore would not only affect domestic demand but further undermine the credibility of growth figures projected by the government.

Increasing price pressure increases demand for governance reform, but government response has been focused on stopgap measures. In response to the oil shock caused by the conflict in the Middle East, the government opted to maintain energy subsidies. The government earmarked USD 12 billion or around 5.46 percent of the state budget for fuel and energy subsidies under the assumption that oil prices would be at around USD 70 per barrel, but with oil prices reaching as high as USD 112 per barrel, fuel subsidy could be subject to further strain. The administration had slightly reduced the free meals program (MBG) by USD 3.5 billion from a total of USD 18.8 billion, which had taken approximately 8.7 percent of the total state budget. With fiscal pressure expected to persist contingent upon the Middle East conflict, further spending reduction might be considered by the government.

At the same time, the government is showing more openness to foreign investors. In answering complaints from foreign businesses, the government established a cross-ministerial debottlenecking task force to address trade and investment barriers. The task force has been willing to engage with foreign companies on issues such as import quotas, industrial product standards, and import approvals. However, its effectiveness is yet to be seen, until it can resolve investors' issues.

IMPACT OF U.S.-CHINA TENSIONS

Indonesia continues to seek strategic cooperation with both China and the U.S. despite ongoing tensions

The current Indonesian administration has been actively engaging both countries through bilateral engagements and multilateral forums, such as the BRICS, where China plays a prominent role, as well as by actively seeking accession to the Organisation for Economic Co-operation and Development (OECD), which would allow closer engagement with Western partners. Indonesia signed the U.S.-Indonesia Agreement on Reciprocal Tariff (ART) in February 2026 partly to appease the U.S. threat of higher tariffs, but also to gain market access on its commodity exports. Meanwhile it remains a party to regional free trade agreements with China under the ASEAN-China FTA and the Regional Comprehensive Economic Partnership (RCEP).

Despite a focus on strategic non-alignment, Indonesia is increasingly pulled into competing geoeconomic spaces of both the U.S. and China. For example, the ART contains provisions that limit Indonesia's transactions with entities subject to U.S. export restrictions, while others grant preferential access to U.S. companies by easing local content requirements and enabling the free flow of cross-border data. These provisions create an asymmetry that selectively advantages U.S. firms while constraining the operational space of competitors from countries deemed of concerns by Washington, D.C.

³ Indonesian stocks slump to five-year low; rupiah drops to record. *Bloomberg*. June 3, 2026. <https://www.theedgesingapore.com/news/se-asia-stocks/indonesia-stocks-tumble-five-year-low-rupiah-drops-record>

The deepening divergence between U.S. and Chinese supply chains points toward a bifurcation of value chains that will impact domestic policies. The existing model of strategic partnership with Chinese and Western partners is likely to face mounting pressure as both the U.S. and China impose stricter policies on supply chain points of origin, especially for projects involving critical minerals such as nickel. Local firms and Japanese companies may need to develop bespoke supply chain models, one that is configured for access to the U.S. market aligned with ART provisions, and another that is oriented towards Chinese market ecosystem. Existing bilateral and multilateral cooperation mechanisms between Indonesia and Japan could provide long-term solutions through supply chain diversification and temper some of the geopolitical pressure.

Indonesia expanding partnerships beyond China and the U.S.

Beyond its engagement with the U.S. and China, Indonesia has been actively diversifying its geoeconomic relationships to hedge over-dependence. Within this year, Indonesia is expected to sign a Comprehensive Economic Partnership Agreement (CEPA) with the European Union in the second half of 2026, with entry into force targeted for early 2027. The CEPA is set to eliminate 98 percent of tariff lines, potentially increasing Indonesian exports by 58 percent. Indonesia had also signed a free trade agreement with other groups of countries in the Eurasian Economic Union in late 2025, securing preferential tariff access on 90.5 percent of total tariff lines and opening market access to approximately 180 million new consumers.

President Prabowo has also intensified engagement with partner countries. In his first 16 months as president, President Prabowo conducted 50 overseas visits, resulting in multiple investment commitments and the enhancement of existing economic partnership frameworks. President Prabowo has also visited Japan in March 2026, where he announced the signing of MoU with multiple partners including JETRO, and secured strategic cooperation agreements on clean energy downstream projects, oil and gas exploration, and geothermal energy development. The total value of the commitments is estimated to reach USD 23.63 billion. Taken together with the multilateral comprehensive trade deal agreements, these engagements reflect a strategy to position Indonesia as a partner across multiple economic blocs.

POLICY AND INDUSTRY DEVELOPMENTS IN STRATEGIC SECTORS

Administration pursues state intervention in response to mounting fiscal pressure

Indonesia's strategic sectors have long been subject to state intervention, but the current administration has doubled down in response to mounting fiscal pressures. The combination of persistent rupiah depreciation, negative investor perception, and fiscal-intensive priority programs has narrowed the government's fiscal buffer amidst the increasing energy prices, which leads to an urgency for revenue generation. Rather than exercising structural changes to the overall budget posture, the Indonesian government opted to monetize state assets, tighten control over strategic asset imports and foreign exchange flows as a short-term strategy.

One of the most apparent displays of this strategy can be seen in the government's plan to centralize export commodities. Through the establishment of Danantara Sumberdaya Indonesia (DSI), the Prabowo administration aims to streamline exports of commodities such as coal, palm oil, and ferroalloys, mainly affecting Indonesian conglomerates. DSI will be tasked to address longstanding practices of under-invoicing and under-reporting that have cost Indonesia an estimated USD 908 billion in lost revenue. Technicalities remain unclear as implementation will take place effectively in early 2027, but early assessments suggest that DSI will be the sole off taker of all the three strategic commodities, effectively rerouting all exports through a single gateway. According to the

Coordinating Ministry for Economic Affairs (CMEA), additional commodities may be added to DSI's export portfolio, through future cross-ministerial coordination meetings.

Complementing this approach, the government has also issued a new regulation requiring a share of export revenues to be held in onshore accounts. Per June 2026, exporters are required to store foreign exchange proceeds from exports (DHE) in onshore bank accounts, framed as an attempt to stabilize Rupiah. The government is opening the possibility of introducing potential exemptions for companies affiliated with countries that have bilateral agreements in place.

The near-term trajectory points toward continued centralization, with sporadic deregulation efforts. There are already concerns that commodities export consolidation will be expanded to other minerals and agricultural commodities, which would then affect foreign companies as well. In managing increasing government interventions in the market, existing multilateral and bilateral frameworks such as the Japan-ASEAN FTA and the Indonesia-Japan Economic Partnership Agreement (EPA) could be a pathway to push market reforms and potential exemptions from restrictive policies.

IMPACT AND ADVICE FOR JAPANESE COMPANIES

Domestic policies continue to hinder incoming investments from Japanese companies

Internal divisions within the Indonesian government have created contradictory policy direction between investment-focused and sectoral ministries. For example, several policies such as local content requirements (LCR) and stringent halal provisions have imposed additional hurdles for investment projects, while ministries such as the Coordinating Ministry for Economic Affairs continue to push for regulatory relaxation and incentives. Additionally, broad policies have created unintended disadvantages for Japanese firms, such as subsidies for electric vehicles that exclude hybrid-focused Japanese products.

The sustainability of Indonesia's fiscal position is consequential for regulatory certainty. If energy prices continue to be over initial assumptions and current spending patterns persist, the government's capacity to maintain subsidies and price stability will likely erode, which could trigger policy adjustments that affect overall fiscal management and the viability of ongoing programs. Anticipating future changes in policy direction is crucial for Japanese companies moving forward. Therefore, maintaining close engagements with government agencies in the economic and investment portfolio is crucial to secure access to future policy consultations and opportunities with government entities like Danantara.

The government's appetite for partial reform can be leveraged by businesses. The mandate undertaken by the Debottlenecking Task Force offers a formal entry point for raising operational complaints, and Japanese firms should utilize it, while recognizing its reactive, case-by-case mandate as a workaround rather than a signal of systemic reform. Considering the growing economic strain, windows of private-public consultations can be leveraged to push for a gradual easing of restrictive policies. Japanese companies in Indonesia should also build on their long-term relationship with the Indonesian government by leveraging agreements such as IJEPA.

MALAYSIA

POLICY AND ECONOMIC UPDATES

Government in pre-election mode as signs point to possible early vote

Following four years of the unity government tenure under PM Anwar Ibrahim, Malaysia is firmly in pre-election mode, with the future of the unity government formula being called into question. While the 16th General Election (GE16) is not due until late 2027, political dynamics and early signalling by rivals and allies alike point to a potential late-2026 to early-2027 contest as Anwar faces political threats from multiple fronts.

Despite being a key partner in the unity government, the boldest opposition to PM Anwar currently comes from the United Malays National Organization (UMNO). Formerly Malaysia's longest-serving incumbency, UMNO's state-level manoeuvres in Negeri Sembilan and Johor signal a warning shot to PM Anwar. Following a failed attempt by UMNO Negeri Sembilan branch to take over the state Chief Ministership from PM Anwar's coalition Pakatan Harapan (PH), UMNO Johor openly announced plans to contest all Johor state seats independently pre-election pacts⁴. PM Anwar has in turn announced that UMNO's Johor challenge will be met accordingly, with his coalition set to also run in all 56 seats. While these cracks do not point to a wider UMNO defection at the central leadership level, the escalating pre-election narrative likely indicates a similar strategy in other UMNO strongholds, keeping UMNO's options open for collaboration with other Malay-majority Opposition parties including Bersatu and the Pan-Malayan Islamic Party (PAS).

Separately, Anwar's own party within PH, the People's Justice Party (PKR), has been characterized by internal factionalism, with former PKR Deputy President and Economy Minister Rafizi Ramli forming the new Parti Bersama Malaysia (PBM)⁵, citing dissatisfaction with PM Anwar's weaknesses in institutional reform and corruption. Rafizi wooed 6 other disenchanted PKR MPs into his new party, with political campaigning likely targeting urban strongholds instead of a nationwide campaign. While total numbers are small, the new PBM adds to further uncertainty and multi-cornered fighting in key seats in the capital.

In response to mounting political tensions, PM Anwar publicly floated the possibility of a snap election later this year⁶, both to restore a public mandate and prevent potential threats from consolidating and threatening his second tenure. While the relative strength of a resurgent UMNO and the new PBM is too early to call, the net result is likely to be a more fragmented political contest and further umbrella coalition deals following GE16.

IMPACT OF U.S.-CHINA TENSIONS

Malaysia pursues pragmatism on U.S. trade despite declaring deal “null and void”

Sources confirmed that bilateral strategic collaborations particularly in U.S. coal, LNG, and nuclear energy development in line with the ART remain in force and ongoing. Simultaneously, American hyperscale and semiconductor DI inflows have not abated, with both sides remaining engaged on supply chain mapping, labour compliance frameworks, and future tariff architecture.

As U.S. President Donald Trump attempts other avenues to enforce tariffs, Malaysia has also actively taken part in the Section 301 discussions on structural excess capacity and

⁴ BN to contest all 56 seats in Johor polls, says Onn Hafiz, *The Star*, May 16, 2026.

<https://www.thestar.com.my/news/nation/2026/05/16/bn-to-contest-all-56-seats-in-johor-polls-says-onn-hafiz>

⁵ Nik Nazmi take over Parti Bersama Malaysia, *The Edge Malaysia*, May 17, 2026.

<https://theedgemaalaysia.com/node/803882>

⁶ Anwar says snap election possible amid strain in unity govt, *The Edge Malaysia*, May 17, 2026.

<https://theedgemaalaysia.com/node/803887>

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forced labour as well as Section 232 discussions for the pharmaceuticals and semiconductor sectors. Malaysia's response has so far focused on labour and environmental compliance assurances, as well as arguing for sector-specific rather than blanket tariff remediation.

In line with Malaysia's strategic neutrality strategy, MITI sources indicate the Malaysia-EU FTA negotiations are moving at pace. Three rounds of negotiations have been completed, with the latest in Brussels in February 2026 and an upcoming fourth session to be hosted by Malaysia in June 2026⁷. Anwar and European Commission President von der Leyen relaunched talks in January 2025 after a 13-year hiatus, with strategic alignment reportedly accelerating the process of negotiations. Progress has been reported on goods, services, and investment, with palm oil no longer reported as a blocking issue. The conclusion of the FTA is expected by end 2026 to 2027 and is set to grow total Malaysia-EU trade, currently estimated at EUR 46 billion (USD 53.4 billion).

POLICY AND INDUSTRY DEVELOPMENTS IN STRATEGIC SECTORS

Data centre policy swinging toward management of supply over utilities, locations

Following an aggressive promotion for data centre investments in Malaysia, policy efforts within the sector has pivoted from investment openness and facilitation to managed supply over utilities and localization concerns. PM Anwar spoke in Parliament in February 2026 claiming an informal moratorium on new non-AI data centre approvals has been in force since mid-2024⁸, prioritizing AI-oriented facilities ostensibly to protect power and water infrastructure as well as enable higher value-added economic activities.

Concurrently, Malaysia's utilities market also saw a significant shift towards tiered categories as of July 2025, prioritizing a user-pays model that led to new ultra-high voltage (UHV) power tariff categories specifically for the data centre sector. Industry sources also cited phased electricity supply agreement (ESA) approvals under the new Data Centre Task Force (DCTF), reflecting the task force's caution in large scale approvals due to concerns over insufficient demand and capex requirements for grid upgrades to accommodate the industry's requirements. Despite the heightened scrutiny, Malaysia's data centre sector continues to attract both U.S. and Chinese capital alike.

Malaysian energy policy prioritizing stable LNG imports

As electricity demand accelerates, Malaysia's domestic gas production continues to face decline, with significant policy announcements in 2026 geared towards securing stable LNG imports. The national oil company PETRONAS announced progress is the long-touted RGT-3 in Lumut, Perak, with the Floating Storage and Regasification Unit (FSRU) set to be provided and maintained by MISC Berhad. PETRONAS and national utilities company Tenaga Nasional Berhad (TNB) are targeting a Q2 2029 commercial operation date at 500 MMscfd send-out capacity. Meanwhile, Gas Malaysia's proposed 6 mtpa offshore FSRU also saw major progress, receiving an Energy Commission (ST) Letter to Proceed in March 2026. Gas Malaysia has entered a joint development agreement with Tokyo Gas and Netherlands-based VTTI for the project, with project value estimated at MYR 3 billion (USD 754 million)⁹. Together, these parallel tracks signal that the

⁷ Malaysia, EU in final stage of signing free trade agreement, *Bernama*, April 27, 2026.

<https://theedgemaalaysia.com/node/801502>

⁸ Non-AI data centre investments curbed over water, energy concerns, PM tells Dewan Rakyat, *The Edge Malaysia*, February 24, 2026. <https://theedgemaalaysia.com/node/793763>

⁹ Gas Malaysia gets go-ahead for RM3b LNG regasification terminal in Kedah, *The Edge Malaysia*, March 18, 2026.

<https://theedgemaalaysia.com/node/796733>

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government and industry are treating LNG import capacity as an urgent strategic imperative rather than a contingency option.

In line with gas market liberalization efforts, the ST also published the Consultation Paper No. 1/2026, opening the window for feedback for Malaysia's post-Gas Framework Agreement (GFA) market reform process. The paper is predicated on the GFA's scheduled expiration on December 31, 2027, and specifically addresses new supply requirements of gas-fired power plants expected to come online following the deadline. The initial consultation paper puts forward three market models, including centralized aggregation, direct bilateral agreements between IPPs and LNG companies, and hybrid arrangements. The paper comes at a critical time for energy sector companies and large power consumers alike as Malaysia looks to expand the gas market beyond the current Petronas Gas aggregation model.

Tokyo Gas's joint development agreement with Gas Malaysia for the offshore FSRU project signals that Japanese energy companies are already finding viable entry points into Malaysia's LNG import infrastructure buildout. The more significant opening, however, lies in Suruhanjaya Tenaga's Consultation Paper No. 1/2026¹⁰, issued May 28, 2026, which formally opens the question of post-GFA gas market architecture for the power sector. The consultation invites views on whether uncontracted gas volumes—arising from over 8,300 MW of new gas-fired capacity expected online from 2028—should be managed through a centralized aggregator, direct IPP-to-shipper bilateral arrangements, or a hybrid model. Japanese gas traders and LNG shippers, with their established track record in long-term supply and regasification infrastructure, are well-positioned to engage in this process. Investors in this sector are recommended to take part in the ST consultation before the June 30, 2026 deadline and begin positioning for licensed shipper roles in the post-2027 market framework.

Automotive policy increasingly placing market access as contingent on production commitments

Malaysia's EV automotive policy is bifurcating into a localization-first industrial framework, with market access now effectively conditioned on domestic production commitments. The Completely Built Up (CBU) EV tax exemption—extended multiple times since 2022—expired on 31 December 2025, replaced from July 2026 by new conditions imposing a minimum on-the-road price of MYR 300,000 (USD 75,405) and minimum power output of 245 PS for CBU EVs, functionally closing the duty-free window to affordable Chinese mass-market imports.

Completely Knocked Down (CKD) exemptions extend through end-2027 to incentivize local assembly, but MITI's broader CKD framework requires local partners, a minimum domestic sales commitment of 10,000 units, and export orientation, acting as potential deterrents to EV giants.

The central policy risk for 2026 is the mismatch between the pace of CKD ramp-up and still-nascent consumer EV demand, particularly as MITI only achieved 56 percent of its own target of 10,000 public EV charging stations by end-2025¹¹.

While primarily targeted at mass-market Chinese EVs, Japanese OEMs should also consider implications to their market share in Malaysia. More urgently, Chinese EV

¹⁰ Energy Commission, Consultation Paper No. 1/2026, May 28, 2026. <https://www.st.gov.my/gas-supply-power-sector-post-gas-framework-agreement-gfa-consultation-future-market-arrangements>

¹¹ Ilyia Marsya Iskandar, Amalia Azmi, DC fast charger goal surpassed, 56pct of 2025 EV target reached, New Straits Times, February 5, 2026. Available at: <https://www.nst.com.my/news/nation/2026/02/1371929/dc-fast-charger-goal-surpassed-56pct-2025-ev-target-reached>

manufacturers such as BYD Motors are moving fast to secure local assembly partnerships and lock in preferred collaborators in Malaysia, with conversations reportedly ongoing with Sime Motors.

IMPACTS AND ADVICE FOR JAPANESE COMPANIES

Possible early election a key landmark for investors to Malaysia

Political uncertainties surrounding the upcoming 16th General Election (GE16) poses the biggest continuity risk to Japanese businesses operating in Malaysia, with elections possibly being sped up to late 2026 or early 2027. Prime Minister Anwar's tenure has been marked by a return towards political stability following the COVID-19 crisis, with the tenuous unity government partnership holding out its full term. UMNO's recent state-level manoeuvres and the emergence of new political parties raises the prospect and risk of a more fragmented post-election landscape and political bargaining.

Amidst attempts to woo Malay voters, the recent tightening of Bumiputera equity requirements for land divestment reflects an example of political contestation bleeding into policy. Japanese firms with long investment horizon in capital-intensive sectors or with interest in purchasing GLC-owned land should conduct a proactive review of these recent changes and manage stakeholder relationships across both government and opposition to maintain continuity regardless of the post-GE16 outcome.

Finally, Malaysia's strategic neutrality in the U.S.-China contest creates a structural advantage for Japanese investors that should not be understated. Malaysian policymakers are actively seeking third-party capital and technology partnerships that reduce the optics of dependence on either Washington or Beijing, with Japanese well-placed to fill that role. This applies across sectors: in semiconductors and E&E, in renewable energy, and in digital infrastructure. IT and data centre operators should, however, note that Malaysia's informal moratorium on non-AI data centre approvals and the introduction of ultra-high voltage tariff tiers for the sector reflect a managed supply environment—capacity expansion plans should be stress-tested against approval timelines and the new tariff architecture before commitments are made.

PHILIPPINES

POLICY AND ECONOMIC UPDATES

President Marcos highlights investment pledges, upgraded relationships from state visit to Japan

President Ferdinand Marcos Jr. is touting claims to have secured PHP 56.3 billion (~USD 911.9 million)¹² in investment pledges from major Japanese companies and formalizes the upgrading of bilateral relations from Strengthened Strategic Partnership to the highest-tiered Comprehensive Strategic Partnership in his state visit to Japan.

To commemorate the 70th anniversary of the normalization of bilateral diplomatic relations, President Marcos embarked on a 4-day state visit that involved high-level meetings with Their Majesties The Emperor and Empress of Japan, Prime Minister Takaichi Sanae, the National Diet and Japanese business leaders. Investment commitments from top Japanese companies, such as Furukawa Electric Co. and

¹² Marcos secures P56.3-B investments for electronics, shipbuilding sectors, *Manila Bulletin*, May 28, 2026.

<https://mb.com.ph/2026/05/28/marcos-secures-p563-b-investments-for-electronics-shipbuilding-sectors>

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Sumitomo Electric Co., are expected to improve the data centre supply chain, advance local production of advanced electronics and medical devices, and strengthen domestic shipbuilding.

President Marcos and Prime Minister Takaichi also signed the double taxation convention to provide clearer tax rules on cross-border investments and business activities. Following high-level discussions, there are plans to upgrade the Japan-Philippines Economic Partnership Agreement and the Japan-ASEAN Comprehensive Economic Partnership Agreement to improve market access and undertake negotiations for the General Security of Military Information Agreement to improve maritime security.

The outcomes of the state visit align with President Marcos' top priorities in growing the Philippines' digital economy and domestic production capacities and signals a clear policy direction towards deepening economic alignment, as a Comprehensive Strategic Partnership built on the highest levels of trust. With increased policy predictability and enduring bilateral mechanisms, Philippine-Japan relations may be more easily sustained beyond political cycles.

The high-level discussions may present opportunities for Japanese expertise to help shape the Philippines' high-value and future-oriented industries and reinforce Japan's position as among the top foreign investors in local economic zones that significantly contribute to export revenues and job creation.

Marcos administration confronts political hostility from the once-allied faction of Vice President Sara Duterte

The breakdown of the Marcos-Duterte alliance, which turned running mates into political enemies, has heightened tensions across the executive and legislative branches, as both sides seek to consolidate support and secure broader public approval. Executive focus has been divided to manage allegations hurled by the Duterte alliance on President Marcos' non-performance, on top of interventions to mitigate the residual effects of the oil crisis on ordinary Filipinos and revitalize economic growth.

While Vice President Sara Duterte has largely remained out of the public eye, only appearing through taped addresses and occasional interviews in The Hague during visits to her father, former President Rodrigo Duterte, impeachment claims against her have progressed and are set to be deliberated by the impeachment court in the coming months. This has dominated legislative proceedings and delayed action on priority bills, especially as lawmakers continue to navigate the fragile political alliances.

Marcos administration facing weak economic growth, rising inflation

Weak economic growth and rising inflation rates have increased pressure on the Marcos administration to address the downstream effects of domestic disruptions and lingering oil price volatility. The Philippine economy only grew by 2.8 percent in 2026 Q1¹³, considerably lower than the 5.4 percent rate in the same period in 2025 and the weakest quarterly rate after the pandemic.

Household spending decreased due to global oil price shocks, while investigations into the billion-dollar controversy on anomalous government flood control projects continued to spook investor confidence.¹⁴ Government spending also fell below expectations, given the

¹³ First Quarter 2026 Performance of the Philippine Economy, *Philippines Department of Economy, Planning and Development*, May 7, 2026. <https://depdev.gov.ph/2026-q1-gdp/>

¹⁴ Flood control scandal wiped out P1.7 trillion in market value, *ABS-CBN News*, October 8, 2025. <https://www.abs-cbn.com/news/business/2025/10/8/flood-control-scandal-wiped-out-p1-7-trillion-in-value-from-stock-market-sec-1432>

delayed rollout of the 2026 budget. The slowed growth has been met with rising inflation rates, which accelerated from 4.1 percent in March to 7.2 percent in April¹⁵ and driven, in part, by the depreciation of the Philippine Peso to its record low.¹⁶

Current political and economic trends have increased public scrutiny over the performance of President Marcos, especially as growth rates have trailed behind regional neighbours like Indonesia and Vietnam and vulnerabilities to global commodity shocks continue to be exposed. The government faces a substantial gap in meeting its 6 to 7 percent annual growth target. The pressure is on President Marcos and his cabinet to push more responsive fiscal policies, accelerate rollouts of projects in high-value sectors and trigger more decisive action to reinforce public confidence, amid cracks capitalized on by the Duterte faction.

Increasing operational costs and price volatilities continue to be felt by local businesses, which may affect near-term investment plans of Japanese firms. Heightened political frictions may continue preoccupying government officials and slow legislative measures and project implementation, at a critical time when President Marcos only has a little over two years to deliver on his policy agenda and shape his administration's legacy.

IMPACT OF U.S.-CHINA TENSIONS

The Philippines takes stock of American trade relationship

With the U.S. as the Philippines' largest export market, developments related to U.S. President Donald Trump's tariffs have captured the attention of top economic managers to secure favourable rates for local exports. Following the U.S. Supreme Court ruling in February 2026 that deemed the tariffs unconstitutional, the Philippines is now operating under the updated 10 percent tariff,¹⁷ with exemptions for semiconductors and agricultural products still in place. Citing it as business as usual, Philippine officials believe that current rates are a good position for the country, registering a decrease from the 19 percent negotiated last year at the height of Trump's "America First" campaign.

Economic cooperation with the U.S. is also expected to deepen with the recent inclusion of the Philippines in the Pax Silica Initiative to strengthen domestic electronics and mineral processing and support supply chain diversification. A planned 1,618-hectare economic security zone in New Clark City will also influence further development in the Luzon Economic Corridor and reinforce its position as a critical commerce hub.¹⁸

While the U.S. maintains that Pax Silica is not intended to compete directly with China, there is still a broader need for the Philippines to balance deepening U.S. alignment with delicate relations with China. After all, despite continued tensions in the West Philippine Sea, China has notably been more open to engage with the Marcos administration on joint oil exploration, trade, tourism and fuel, on top of being the foremost export market for raw ore.

Rather than signalling clear alignment with one country, these parallel engagements are consistent with President Marcos' "friend to all, enemy to none" strategy to Philippine

¹⁵ Inflation quickens to 7.2 percent in April, *ABS-CBN News*, May 5, 2026. <https://www.abs-cbn.com/news/business/2026/5/5/inflation-quickens-to-7-2-percent-in-april-0906>

¹⁶ Peso weakens to new record low for second straight day, *ABS-CBN News*, May 15, 2026. <https://www.abs-cbn.com/news/business/2026/5/15/peso-weakens-to-new-record-low-for-second-straight-day-1627>

¹⁷ Tariff on Philippine exports to US still in limbo, *Philippine Daily Inquirer*, February 27, 2026. <https://business.inquirer.net/576274/ph-exports-tariff-still-in-limbo>

¹⁸ PHL, US to break ground Clark AI hub in two years, *BusinessWorld Online*, April 24, 2026. <https://bworldonline.com/top-stories/2026/04/24/745343/phl-us-to-break-ground-clark-ai-hub-in-two-years/>
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foreign policy. This is complemented by a continued emphasis on international law, marked by the administration's positions to uphold the sovereignty of the Philippines in dealings with both U.S. and China, and a pivot towards diversified trade partners, such as the European Union and the United Arab Emirates, to manage risks associated with volatile U.S. and China relations.

As the Philippines seeks to upgrade more trade markets outside of the U.S. and China, there may be more interest in pursuing the amendments to the Japan-Philippines Economic Partnership Agreement and the Japan-ASEAN Comprehensive Economic Partnership Agreement in the near-term,¹⁹ which could unlock more beneficial trade opportunities for Japanese firms.

POLICY AND INDUSTRY DEVELOPMENTS IN STRATEGIC SECTORS

New approach on EVs in wake of energy crisis

The Marcos administration has shifted gears towards EVs and eyes the rollout of a new EV Incentives Strategy (EVIS) by July 2026 to reduce dependence on the increasingly volatile global oil supply chain.²⁰ With the domestic manufacturing of internal combustion engine vehicles deprioritized, the government is relocating resources into a new package of fiscal and non-fiscal benefits for manufacturers of both passenger and commercial vehicles that are either hybrid or fully electric models.

Given the higher production costs for EV, the EVIS will involve a larger budget than previous automotive incentive programs, which may reach PHP 60 billion (~USD 972 million), with four companies potentially receiving PHP 15 billion (~USD 243 million) in incentives each. Mitsubishi and Toyota have reportedly already expressed interest in joining the program, with the former sharing plans to produce the country's first locally manufactured EV by 2028 in a high-level meeting with President Marcos.

Data centres emerging as policy priority, though still behind regional peers

To support the Philippines' bid to become the next regional hub for data centres, data centre investments have emerged as among the administration's priority areas. Current capacities, estimated at 200 megawatts, are projected to grow to 18 gigawatts over the next ten years and potentially overtake regional neighbours.²¹ Both local and foreign hyperscalers are expanding footprints and a long-debated executive issuance on data localization, once finalized, may potentially position the government as a major demand driver for onshore data storage. However, despite continuing efforts to court data centre investments, gaps remain in power reliability and costs and unaddressed vulnerabilities to natural hazards, such as earthquakes and floods.

Critical minerals centre stage as Philippines seeks more value-add in mining

The recent implementation of the Enhanced Fiscal Regime for Large-Scale Metallic Mining Act, viewed as a more transparent and objective tax framework for mining operations, has given rise to bilateral critical minerals partnerships with the U.S.²² and

¹⁹ PH, Japan sign double tax convention, other key agreements during President Marcos' state visit, *Presidential Communications Office*, May 28, 2026. https://pco.gov.ph/news_releases/ph-japan-sign-double-tax-convention-other-key-agreements-during-president-marcos-state-visit/

²⁰ EV perks scheme hurdles incentives board, *Philippine Daily Inquirer*, May 23, 2026. <https://business.inquirer.net/591826/ev-perks-scheme-hurdles-incentives-board>

²¹ DICT outlines massive 18GW data center expansion to lead ASEAN, *Manila Bulletin*, February 25, 2026. <https://mb.com.ph/2026/02/25/dict-outlines-massive-18gw-data-center-expansion-to-lead-asean>

²² Philippines signs MOU on critical minerals supply chain, *Philippine Embassy in Washington, D.C.*, February 6, 2026. <https://philippineembassy-dc.org/philippines-signs-mou-on-critical-minerals-supply-chains/>

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Korea.²³ Leveraging the country's metallic and non-metallic reserves, valued at over USD 2 billion, the partnerships will boost local processing capacities and diversify global supply chains, offering opportunities for the Philippines to move away from raw ore exports and into more advanced production and refinement stages. Similar arrangements are also being explored with the European Union,²⁴ Israel²⁵ and Canada²⁶ to help sustain sectoral development, ahead of the end of the Marcos administration in 2028.

Historically, concerns on sustainability, transparency and human rights in mining activities have prompted previous presidents to adopt a more cautious approach to the minerals and mining sector, but recent developments may help insulate the revived opportunities for mining firms and other downstream industries, such as semiconductors and electronics, from leadership changes.

Renewed urgency in government to meet renewables goals

Alongside these developments, the Philippines is also chasing down renewable energy (RE) goals, with the ambitious target of three new Green Energy Auctions (GEAs) for 2026,²⁷ as clean sources are eyed to comprise 35 percent of the energy mix by 2030. The current 25 percent share of RE is projected to grow through the planned auctions for fixed-bottom offshore wind, waste-to-energy and solar capacities.

There is renewed urgency within the government, especially the Department of Energy (DOE), following major disruptions to fuel and power that have significantly strained the grids nationwide. Historically, the DOE has struggled with GEA projects stalling at the pre-development phase, given regulatory bottlenecks, as local and foreign developers grapple with overlapping requirements from the national and local governments. Launching three GEAs this year, when the DOE has typically only seen through a maximum of two auctions in a year, may strain the DOE's resources and force delays in the timeline.

Executive agencies appear to be rushing to deliver on targeted policy support and investment promotion to maximize accomplishments in time for the end of President Marcos' term and likewise meet the 2028 goals of the Philippine Development Plan for revitalized industries. The strategic focus on these technology-driven sectors, which align with Japanese expertise in automotives, renewables and electronics, may spur renewed growth and investor interest, especially at the heels of economic slowdowns brought about by domestic political challenges and global market disruptions.

²³ KOMIR signs deal to secure Philippine critical minerals, *Seoul Economic Daily*, March 11, 2026.

<https://en.sedaily.com/news/2026/03/11/komir-signs-deal-to-secure-philippine-critical-minerals>

²⁴ EU, PH start study of critical minerals, *Philippine Daily Inquirer*, May 11, 2026.

<https://business.inquirer.net/589657/eu-ph-start-study-of-critical-minerals>

²⁵ Philippines in AI, critical minerals talks with Israel, *BusinessWorld Online*, May 3, 2026.

<https://bworldonline.com/economy/2026/05/03/747055/philippines-in-ai-critical-minerals-talks-with-israel/>

²⁶ Philippines eyes critical minerals accord with Canada, *Philippine Daily Inquirer*, March 18, 2026.

<https://business.inquirer.net/580078/philippines-eyes-critical-minerals-accord-with-canada>

²⁷ DOE prepares 10-year green energy plan after purging 'zombie' projects, *Manila Bulletin*, January 16, 2026.

<https://mb.com.ph/2026/01/16/doe-prepares-10-year-green-energy-plan-after-purging-zombie-projects>

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SINGAPORE

POLICY AND ECONOMIC UPDATES

Singapore touts strong Q1 2026 GDP growth, as it eyes sustained durability

Singapore's economy grew by 6 percent year-on-year in Q1 2026,²⁸ driven by a surge in electronics exports on robust AI-related demand. Yet the government's tone has remained cautious amid geopolitical tensions, global trade uncertainty, and the Middle East conflict, which has exposed Singapore's vulnerability as a trade- and energy-dependent economy. The Monetary Authority of Singapore (MAS) tightened monetary policy in April to mitigate imported inflation risks, while the government introduced SGD 1 billion in targeted fiscal relief to cushion energy and cost pressures.²⁹

Singapore is leveraging the strong growth as policy space to strengthen the foundations of future competitiveness. The government is deepening energy security, infrastructure resilience, enterprise upgrading and workforce transition before external conditions become more difficult. The aim is to turn Singapore's stability premium from a passive advantage into a more deliberately engineered source of competitiveness.

The Economic Strategy Review (ESR) published in May sets out long-term plan

Published in May 2026, the ESR's 32 recommendations³⁰ provide Singapore's economic roadmap for the next five to 10 years. On competitiveness, the ESR focuses on building deeper capabilities that can keep Singapore relevant as a high-value hub. It emphasises AI deployment, trusted services, cross-border data flows, enterprise dynamism and new energy capabilities. The aim is for Singapore to move beyond being a pass-through hub and become a place where high-value activities are developed, tested and scaled. AI is central to this shift, with firms expected to use it not only to experiment, but to raise productivity, redesign work and strengthen business models.

On resilience, the ESR makes clear that Singapore's economy must be better protected against shocks to supply chains, infrastructure, energy and labour markets. Its emphasis on supply-chain resilience, new energy options, lifelong learning, career bridges and job redesign shows that growth must be both shock-resistant and socially sustainable.

For businesses, the ESR provides an early guide to where future policy support and government attention are likely to flow. Although the recommendations are still being translated into specific policies, they already signal the kinds of activities that will receive government support and funding.

Singapore signs agreements with Australia, New Zealand, Vietnam, reinforcing hub status

In April and May, Singapore strengthened resilience arrangements with several partners: Australia on LNG and refined fuel flows, New Zealand through the Agreement on Trade in Essential Supplies, and Vietnam through a joint statement on supply-chain resilience.

²⁸ Singapore economy beats expectations in Q1 with 6% annual growth, risks ahead, *Reuters*, May 25, 2026. <https://www.reuters.com/world/asia-pacific/singapore-economy-grows-6-yy-q1-above-advance-estimate-2026-05-25/>

²⁹ Singapore rolls out S\$1 billion support package as energy costs rise, expands corporate tax rebates and payouts, *The Business Times*, April 07, 2026. <https://www.businesstimes.com.sg/singapore/economy-policy/singapore-rolls-out-s1-billion-support-package-energy-costs-rise-expands-corporate-tax-rebates-and>

³⁰ Economic Strategy Review: Taking 'bold bets', building energy resilience among final recommendations, *The Business Times*, May 13, 2026. <https://www.businesstimes.com.sg/singapore/economy-policy/economic-strategy-review-taking-bold-bets-building-energy-resilience-among-final-recommendations>

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These moves create legal and diplomatic mechanisms to preserve critical flows of food, fuel, healthcare products, chemicals and other essential goods during crises.

This matters because Singapore's hub value increasingly depends on whether it can help companies maintain continuity when trade routes, energy flows and political conditions come under stress. Its stability premium is only valuable because it is a trusted node in global supply chains with diversified partnerships, energy-security arrangements, digital trust frameworks and reliable institutions.

IMPACT OF U.S.-CHINA TENSIONS

Shangri-La Dialogue shows limits of convening amid intensifying U.S.-China rivalry, and why Singapore's balancing strategy increasingly depends on practical resilience

The Shangri-La Dialogue held on May 29-31 remains valuable because it is one of the few platforms where the U.S., China, Japan, ASEAN states and other partners can still engage in the same room. However, China's decision to send a lower-profile delegation for the second consecutive year underscores that Singapore can create space for dialogue but cannot compel major powers to use it meaningfully for risk reduction. The U.S. also used the forum to press partners to shoulder more responsibility for regional security³¹, reinforcing Singapore's concern that the strategic environment is becoming more transactional. Convening therefore remains useful, but it cannot by itself soften the structural competition between Washington and Beijing.

Singapore's response was to show that balancing between the U.S. and China now requires more than diplomacy. It must be backed by practical resilience, including stronger defence capabilities, trusted infrastructure and issue-based partnerships. Defence Minister Chan Chun Sing argued that conflict now extends beyond geography and military force into economic, cyber, energy and infrastructure domains.³² The launch of the 17-country GUIDE framework on critical underwater infrastructure showed Singapore trying to lead in areas where small states still have agency, even when major-power trust is weak. Singapore is also prepared to invest more in defence if the environment worsens, stressing that higher spending only matters if it translates into real capability.

POLICY AND INDUSTRY DEVELOPMENTS IN STRATEGIC SECTORS

AI has become Singapore's main strategy for turning structural constraints into a new source of competitiveness.

Singapore in May introduced the National AI Impact Programme, which aims to support 10,000 enterprises over three years and help 100,000 workers become "AI Bilingual".³³ This sits alongside the refreshed National AI Strategy 2.0, which links AI adoption to

³¹Hegseth's Message to Asian Partners: Do More to Get More, *The New York Times*, May 31, 2026.

<https://www.nytimes.com/2026/05/30/world/asia/hegseth-asia-security-shangri-la.html>

³² Speech by Minister for Defence, Mr Chan Chun Sing, at the 6th Plenary Session on "Evolving Security Partnerships in a Fragmenting World" at the 23rd Shangri-La Dialogue, *Ministry of Defence*, May 31, 2026.

<https://www.mindef.gov.sg/news-and-events/latest-releases/31may26-speech/>

³³ Singapore to train 100,000 AI-savvy workers by 2029, *The Straits Times*, March 04, 2026.

<https://www.straitstimes.com/singapore/politics/singapore-to-train-100000-ai-savvy-workers-by-2029>

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sectoral transformation in advanced manufacturing, financial services, connectivity and healthcare³⁴.

AI was also a major theme at the ATxSummit 2026, which is an annual, high-profile event organized jointly by the Infocomm Media Development Authority (IMDA) of Singapore and Informa Tech. At the event on May 20 and 21, Singapore announced new AI partnerships with major global players including OpenAI, NVIDIA and Google. OpenAI committed more than SGD 300 million to strengthen Singapore's AI ecosystem³⁵, while Singapore announced physical AI testbeds in Punggol Digital District to support real-world testing of robotics and embodied AI systems.

For a high-cost economy with tight labour constraints, Singapore is treating AI as the tool that can help firms redesign workflows, raise productivity and scale higher-value activities. Singapore is not trying to compete with the U.S. or China on frontier model scale. Its more practical ambition is to become a trusted deployment hub where AI solutions can be developed, tested, governed and applied at scale in real business and public-sector settings. The policy focus is therefore on how AI can produce measurable productivity gains, stronger enterprise capabilities and more attractive high-value functions.

Singapore has also advanced its Model AI Governance Framework for Agentic AI³⁶, reflecting growing concern over systems that can plan, decide and act with greater autonomy. At the same time, the government is pairing AI adoption with worker-focused measures, including job redesign, skills upgrading and career transition support. While firms are encouraged to adopt AI at scale, they are also expected to show that deployment improves productivity, manages risks and supports workforce transformation.

THAILAND

POLICY AND ECONOMIC UPDATES

The 'Anutin 2' government is fully in place, signalling political continuity

The government led by Anutin Charnvirakul of the Bhumjaithai party is fully operational. It won a strong minority of seats in the February 2026 election, though it took until April 6 for the government to be sworn in. The government is mainly made up of Bhumjaithai, but it is in a coalition government with Thaksin Shinawatra's Pheu Thai party, as well as with a few smaller parties.

Running on a nationalistic yet technocratic platform, the Bhumjaithai party won support from voters for its strong stance on the mid-2025 conflict with Cambodia. The border conflict has subsequently cooled, although Bhumjaithai has cancelled the Memorandum

³⁴Work on sector-wide AI projects has begun, starting with aviation sector: Josephine Teo, *The Straits Times*, May 20, 2026. <https://www.straitstimes.com/tech/work-on-ai-missions-have-begun-starting-with-aviation-sector-josephine-teo>

³⁵ OpenAI commits \$300m to boost AI skills, offer tools and solutions for businesses in Singapore, *The Straits Times*, May 20, 2026. <https://www.straitstimes.com/tech/openai-commits-300m-to-boost-ai-skills-solve-business-problems-in-singapore>

³⁶ Singapore unveils first-of-its-kind governance framework for Agentic AI, *CNA*, January 23, 2026. <https://www.channelnewsasia.com/watch/singapore-unveils-first-its-kind-governance-framework-agentic-ai-5876766>

of Understanding that governed offshore disputes with Cambodia, leaving questions about the way forward for maritime delineation.

As it moves into government, Bhumjaithai's administration will need to balance its nationalistic and populist initiatives against a desire to showcase technocratic competence and secure economic gains. Its nationalism has been evident in its forceful stance against Cambodia and its increasingly sceptical view toward foreign tech platforms. Its landmark populist program has been the Khon La Khrueng 'Half-Half' handout, the second phase of which launched in late May 2026 under the name 'Thais Help Thais Plus'. But not to be forgotten, Bhumjaithai has sought to put technocrats like Minister of Commerce Suphajee Suthumpun and Minister of Finance Ekniti Nitithanprapas front-and-centre, as the government looks to jump-start moribund economic growth, currently project at around 2% of GDP for 2026.

The Prime Minister outlined several key concepts in a speech to Parliament on April 9. In addition to highlighting commitment to the institutions of Nation, Religion and Monarchy, he also highlighted democratic governance with the Monarch as Head of State, and a commitment to rule of law. Key economic points included policy thinking in several key areas³⁷:

- Global food security hub
- Government digital transformation
- Team Thailand - Thai product promotion
- 365 Day Destination - tourism promotion
- Improve Thai-Cambodia situation through peaceful means

Bhumjaithai is presently in a strong position. If it plays its cards correctly, it will stay in power until the next elections in four years, which will bring much-needed stability and continuity to policymaking in Thailand.

Bangkok governor election expected to be a walk-over

Chadchart Sittipunt will easily win the June 22, 2026 election for Bangkok governor, securing a second term in office. Thailand is a centralized, top-down country, and even the Bangkok governor has limited power. Working within these constraints, Chadchart has managed to resonate with voters, building a strongly technocratic reputation.

Although he originates from the camp of Thaksin Shinawatra and the Pheu Thai party, Chadchart is running as an independent. The left-wing People's Party and the centre-right Democrats are both running against him for Governor, but Chadchart is sitting at above 50% in recent polling, with no other candidate above 20%.³⁸ The elections for Bangkok city council may be more of a mixed bag, with a group of independents that claims affiliation with Chadchart likely to win many seats, but with the People's Party and the Democrats also likely to win seats.

³⁷ Policy Statement Delivered by Prime Minister Anutin Charnvirakul to the National Assembly, April 9, 2026. *Government Public Relations Department*,

<https://thailand.prd.go.th/en/content/category/detail/id/48/iid/493243>

³⁸ Thai language polling results available here: https://dusitpoll.dusit.ac.th/UPLOAD_FILES/POLL/2569/PS-2569-1779603142.pdf

English language news coverage here: Chadchart Sittipunt leads Bangkok gubernatorial race in latest Suan Dusit Poll, *The Nation*, May 10, 2026. <https://www.nationthailand.com/news/politics/40066036>

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A new Chadchart government is unlikely to dramatically change the way Bangkok is governed, due to the limited powers available to the Bangkok government. A bigger question is whether Chadchart will use a second term as Bangkok Governor to catapult himself back into national politics in a few years' time.

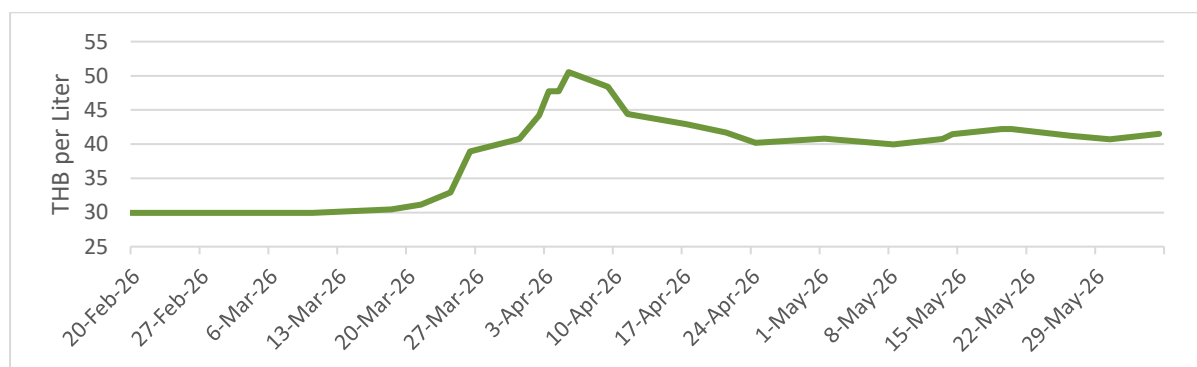
Thailand growth forecasts lowered due to Middle East crisis, though exports remain strong

Economic growth continues to be poor for Thailand in 2026, with most forecasts for GDP placing Thailand's expected growth at between 1% and 2%.³⁹ Thailand's economic is heavily trade dependent, including on fuel for energy imports, and on access to international markets such as the United States for exports. However, results for Q1 were relatively strong, with the Thai government's National Economic and Social Development Committee stating growth was 2.8% year on year.⁴⁰

Tariffs have had less effect on the Thai economy than initially feared. Merchandise exports grew by 11.9% in 2025, and data points to continued growth in exports / imports in 2026.⁴¹

The biggest short-term weakness in the Thai economy is from effects of rising energy costs from the Straits of Hormuz crisis. The fuel situation has improved significantly since March, when prices rapidly increased and some local shortages were evident. Still, an estimated 79.5% of Thailand's crude is imported.⁴² Thai authorities have chosen to mainly allow fuel prices to increase in line with the market; fuel subsidies have been limited, and the government did not impose formal rationing or price controls.

Thailand's Benchmark B7 Diesel Price⁴³



The Bank of Thailand has halted its loosening cycle to take account of rising input costs. On 29 April 2026, the Bank of Thailand (BoT) kept the policy rate at 1.00% but lowered its 2026 growth forecast to 1.5%, citing higher energy costs and uncertainty, even as tech-

³⁹ For example: 1.3% in World Bank's *East Asia & Pacific Economic Update*. April 2026. <https://documents1.worldbank.org/curated/en/099040726112086288/pdf/P512544-036b898e-39e0-480c-941a-d2c73f0ad4f8.pdf> // page 33 of PDF / 25 of number pages

⁴⁰ National Economic and Social Development Committee report April 2026 <https://www.nesdc.go.th/wordpress/wp-content/uploads/2026/05/03-PRESS-EN-Q1-2026.pdf>

⁴¹ Asian Development Bank's *Asian Development Outlook*, April 2026, p. 262 <https://www.adb.org/sites/default/files/publication/1135881/ado-april-2026.pdf>

⁴² International Energy Agency <https://www.iea.org/countries/thailand/oil>

⁴³ Data from Bangchak Corporation: <https://www.bangchak.co.th/en/oilprice/historical>

related exports remained supportive.⁴⁴ However, the National Economic and Social Development Council has noted growth was strong in Q1, with the economy expanding by 2.8% in Q1 2026 compared year-on-year.

IMPACT OF U.S.-CHINA TENSIONS

Little impact for Thailand from the Trump-Xi meeting

The high-profile meeting between China President Xi Jinping and U.S. President Donald Trump was closely watched by Thai officials, but there is little new takeaway. Thailand, as with most of the Southeast Asia region, bends with the prevailing diplomatic wind, and seeks to work with both sides.

China's Minister of Foreign Affairs Wang Yi had visited Thailand in April, as part of a regional trip that also included Myanmar and Cambodia. Talks reportedly focused on investment, technology cooperation.⁴⁵ Thailand's Foreign Minister raised the issue of increased technology transfer in EV production. But the main purpose of the visit may have been (1) to pay an official visit on the newly formed government of Anutin Charnvirakul, and (2) to focus on scam centre crackdowns, particularly in Cambodia and Myanmar.

Thailand is prickly about any Chinese visit to Cambodia. In general, Thailand prefers to address its border conflict with Cambodia on a bilateral basis, while Cambodia prefers to bring the issue to international attention, including through global mechanisms like the United Nations and through major powers like the U.S. and China. However, Wang Yi showed no signs of prioritizing Cambodia's claims over Thailand's, other than encouraging a peaceful resolution. China has also offered to act as a third-party facilitator on talks, which the Thai side has politely sidestepped.

Secondary effects of fuel crisis being felt in fertilizer market as China limits exports

Secondary effects from the Middle East crisis are now being felt. May and June are key planting months for crops like rice and maize. Fertilizer prices remain elevated, due to restrictions in exports both from the Middle East and China. Even though signs appear to point to gradual normalization in transport through the Middle East, it may still affect the ongoing planting season. Another blow has come from China, which has restricted most exports of petrochemical products since March. Thailand was formerly dependent on China for some of its fertilizer products, leaving farmers looking elsewhere to obtain fertilizer for the upcoming planting season.

Thailand's imported fertilizer types and sources⁴⁶

Fertilizer Type	% Share	Source Country
Nitrogen	50	Middle East (55%), China (22%), ASEAN (21%)
Phosphorus	0.1	Egypt (92%)

⁴⁴ Bank of Thailand (BoT), Monetary Policy Committee (MPC) Press Release No. 16/2026, "Monetary Policy Committee's Decision 2/2026", 29 April 2026. <https://www.bot.or.th/en/news-and-media/news/mpc/news-20260429-dw49y0B5.html>

⁴⁶ Thailand Faces Potential Urea Fertilizer Shortage Ahead of Songkran, *Thai Enquirer*, March 27, 2026. <https://www.thaienquirer.com/68431/thailand-faces-potential-urea-fertilizer-shortage-ahead-of-songkran-threatening-rice-production/>

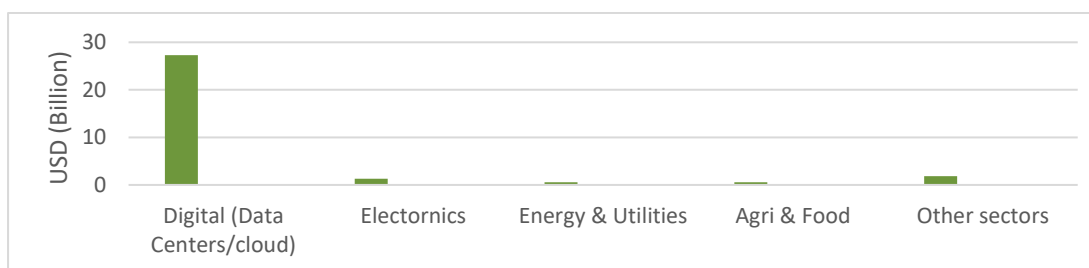
Potassium	18	Canada (33%), Middle East (26%), ASEAN (21%)
Mixed (NPK)	32	China (31%), Russia (28%), Korea (16%), Norway (10%), Middle East (6%)

POLICY AND INDUSTRY DEVELOPMENTS IN STRATEGIC SECTORS

Investment approvals increase, but reliant on data centres – especially TikTok

Thailand’s investment pipeline expanded sharply: the Board of Investment reported Q1 applications worth about USD 27.5 billion, up 2.4 times year on year, driven by data centres, cloud services, and AI-related electronics. In early May, it also approved approximately USD 25.9 billion in major projects. The investors were from the U.K., Japan, the U.S., and Taiwan but were led by Singapore, which is the home of TikTok. TikTok’s data centres appear to have accounted for USD 22.8 billion of the USD 25.9 billion total in May investment approvals.⁴⁷

Thailand BOI Investment applications by sector, Q1 2026⁴⁸



Thailand is still fertile territory for data centre foreign investment. Approvals are relatively easy, and zoning is less restricted than other countries. Thailand also remains open to both China and the U.S., making it a convenient place for Chinese companies to open data centres and ensure future supply of chips from America and its allies.

There is some sign that policymakers are planning stricter controls on data centres in the future. The most relevant is the National Broadcasting and Telecommunications Commission – essentially the telecoms and TV regulator – may change the license type required for data centres, in a way that would disadvantage most foreign investors.⁴⁹ It has also discussed tightening zoning requirements. But on the positive side, the long-awaited Direct Power Purchase Agreement program is working its way through the government and may soon open a consistent way to allow B2B electricity sales to be wheeled over the state grid. The government has provisionally set aside 2,000 MW for the Direct Power Purchase Agreement program, and is already understood to be well oversubscribed, at least for phase 1.

Automakers express frustration with Chinese imports

Auto production dropped 0.44% year-on-year in April to 103,794 units, continuing a trend with consistent declines, according to an official from the Federation of Thai Industries

⁴⁷ Thailand Board of Investment (BOI), Press Release No. 62/2569 (O.33), Thailand Draws Over 1 Trillion Baht in Q1 Investment, Led by Digital and AI, 29 April 2026. https://www.boi.go.th/upload/content/PR62_2569EN.pdf

⁴⁸ Thailand Board of Investment (BOI), Press Release No. 62/2569 (O.33), Thailand Draws Over 1 Trillion Baht in Q1 Investment, Led by Digital and AI”, 29 April 2026. https://www.boi.go.th/upload/content/PR62_2569EN.pdf

⁴⁹ Commission opts to tighten data centre supervision, *The Bangkok Post*, March 26, 2026. <https://www.bangkokpost.com/business/general/3223759/commission-opts-to-tighten-data-centre-supervision>

auto club.⁵⁰ There was a 2.54% increase in domestic sales, to 48,394 vehicles, but a notable drop in exports.

The automotive industry continues to feel the effects of Chinese EV imports. Established automakers often argue that Chinese imports are given preferential market access, and can out-compete companies that are established in Thailand. However, there is no strong sign that the Anutin government is planning a wholesale rethink of its automotive policy to level the playing field between imports and domestically-produced vehicles.

IMPACTS AND ADVICE FOR JAPANESE COMPANIES

New government brings stability to Thai policymaking environment

For Japanese companies, Thailand’s political situation is much more certain and stable than it was several months ago. The Bhumjaithai government is in control. It holds most of the critical ministries that directly affect Japanese companies.

Coalition Government	
Bhumjaithai-controlled Ministries	Pheu Thai-controlled Ministries
<ul style="list-style-type: none"> • Prime Minister • Six of the seven Deputy PMs • Finance • Public Health • Digital Economy and Society • Transport • Tourism and Sports • Defence • Culture • Interior • Foreign Affairs • Commerce • Natural Resources and Environment • Energy • Industry • Social Development and Human Security 	<ul style="list-style-type: none"> • One Deputy PM • Agriculture and Cooperatives • Education • Higher Education • Labor

The concentration of ministries under the Bhumjaithai party will make it easier for the new government to prioritize, plan, and work across silos. As well, its strong base in Parliament means that it is likely to survive a full four-year term. Given recent political change in Thailand – including four Prime Ministers since 2023 – the consistency and cross-ministerial linkages will improve policy development.

The new government may also be slightly more nationalistic in its outlook. While it clearly wants to attract business and investment, it is a government of incremental reform rather than wholesale policy change.

⁵⁰ Thailand car production drops 0.44% y/y in April, *Reuters*, May 26, 2026.

<https://www.bangkokpost.com/business/general/3260583/thailand-car-production-drops-044-yy-in-april>

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VIETNAM

POLICY AND ECONOMIC UPDATES

Vietnam's leadership transition with confirmation of State, Government and National Assembly leaders

In early April 2026, Vietnam's National Assembly confirmed new State, Government and NA leaders, concluding the country's leadership transition and kicking off the five-year term. Notably, Party chief General Secretary (GS) Tô Lâm has assumed the President post, creating a double-hatted position that reflects his strong power consolidation similarly to China's model. As such, key policy agenda is still expected to include double-digit GDP growth, institutional reform, administrative streamlining, and support for national champions.

New Prime Minister (PM) Lê Minh Hưng was also named. A former central banker with overseas education, he represents a younger, more globally oriented, and technocratic profile, backed by GS-President Tô Lâm. His early directives point to faster decision-making and resolution of delayed projects⁵¹ (including renewable energy), while broader leadership team reflects a similar shift toward younger, technocratic officials aligned with top leadership to advance the Party's ambitious agenda.

With the leadership transition completed, the Government is continuing a second phase of administrative streamlining, focusing on internal structure of ministries and ministry-level agencies. This phase serves as a "post-merger clean-up" to the major restructuring in 2024–2025, making the new ministerial structure work more effectively, especially where ministries have taken on new functions or still have overlapping responsibilities. Ministries are actively evaluating their mandates to consolidate units and streamline reporting lines. Several proposals are already under review, with comprehensive details expected in Q2 2026. However, the extent of these reforms will vary, depending on whether they are limited to internal shuffling or extend to redefining the strategic leadership of key divisions.

Close government attention to energy shocks amid new economic initiatives

The Government is paying closer attention to energy security amid Middle East tensions, which have disrupted oil supply and exposed Vietnam's dependence on imported fuel. Compared with last year's U.S. tariff shock, this has become one of the more immediate external risks to the economy, as higher fuel costs could affect inflation, logistics, aviation, manufacturing, and overall business confidence. Current measures focus on stabilizing fuel prices via tax cuts and Fuel Price Stabilization Fund, securing crude supply for domestic refineries, increasing refined fuel imports from partners (e.g., South Korea, Singapore, Thailand), and accelerating strategic crude oil reserves. The Government is also reviewing broader power supply measures, including electricity imports from Laos and China, delayed power projects, battery storage mechanisms, and potential role of LNG in energy mix⁵².

⁵¹ Vietnam's new PM Le Minh Hung determined to deal with long-stalled projects, simplify procedures, *Tuoi Tre News*, April 9, 2026. <https://news.tuoiitre.vn/vietnams-new-pm-le-minh-hung-determined-to-deal-with-long-stalled-projects-simplify-procedures-103260409172158442.htm>

In parallel, Vietnam's policymakers are ramping up industrial policy and localization initiatives to reduce import dependence and strengthen supply-chain durability. On 3 April, the Government approved policy framework for drafting the Law on Key Industries, with Ministry of Industry and Trade (MOIT) tasked to lead the drafting process⁵³. MOIT has since established the drafting team, but the timeline for issuance remains unclear. The proposed Law aims to promote domestic production of key industrial products, develop supporting industries, close regulatory gaps in industrial upgrading, and help Vietnam move beyond processing and assembly toward higher-value activities (e.g., research, design, local supplier development, selective high-tech FDI, and appropriate localization aligned with rules-of-origin requirements and international trade commitments).

IMPACT OF U.S.-CHINA TENSIONS

U.S. trade relations lead to intellectual property action

Following the Supreme Court's February 2026 ruling limiting Trump's use of International Emergency Economic Powers Act (IEEPA) tariffs, the U.S. has turned to other trade tools, especially Section 301 investigations, to maintain pressure on trading partners, including Vietnam. The most recent case is U.S. Trade Representatives (USTR)'s launch of Section 301 investigation into Vietnam's intellectual property (IP) protection and enforcement, after naming Vietnam a Priority Foreign Country in the 2026 Special 301 Report - the first time in 13 years that any country has been placed in this category⁵⁴. In response to rising U.S. scrutiny, Vietnam has moved to strengthen enforcement, including a nationwide campaign against IP infringement covering counterfeit goods, copyright piracy, and trademark violations. Vietnam Chamber of Commerce and Industry has also urged domestic firms, particularly export-oriented companies and those linked to U.S. supply chains, to improve IP compliance.

This follows an earlier Section 301 investigation into structural excess capacity covering 16 economies, including Vietnam, where USTR raised concerns over Vietnam's export strength in sectors such as electronics, machinery, footwear, apparel, furniture, and steel. Vietnam has pushed back, arguing that its exports are supply-chain integrated, complementary to U.S. demand, and not evidence of market distortion.

During this period, the U.S. Senate also confirmed Jennifer Wicks McNamara as the new U.S. Ambassador to Vietnam, succeeding Marc Knapper. This appointment reflects a broader pattern in which U.S. diplomatic appointments in the region increasingly align with the Trump administration's trade-first agenda. As a veteran U.S. government official, McNamara has described the U.S.-Vietnam trade relationship as "imbalanced" and is expected to focus on market access, resilient supply chains, Vietnamese investment in the U.S., and stronger enforcement against trade circumvention.

Vietnam's leadership maintains China relations amid balanced diplomacy

Alongside continued efforts to manage trade pressure from the U.S., Vietnam is also maintaining its careful balancing act with China. Mere days after National Assembly

⁵³ Prime Minister assigns major tasks to Ministry of Industry and Trade in 2026, *MOIT Portal*, April 28, 2026. <https://moit.gov.vn/en/news/prime-minister-assigns-major-tasks-to-ministry-of-industry-and-trade-in-2026.html>

⁵⁴ USTR Announces Section 301 Investigation of Vietnam's Acts, Policies, and Practices Related to Intellectual Property Protection and Enforcement, *USTR Portal*, May 29, 2026. <https://ustr.gov/about/policy-offices/press-office/press-releases/2026/may/ustr-announces-section-301-investigation-vietnams-acts-policies-and-practices-related-intellectual>

election, GS-President Tô Lâm visited China, accompanied by more than half of the Politburo members. This marked his first and long-awaited overseas trip to China since the Party Congress in January, underscoring Vietnam's continued focus on maintaining positive dynamics with its largest trading partner.

During the visit, he gained a public endorsement from President Xi Jinping and finalised 32 cooperation agreements⁵⁵ across infrastructure, digital economy, agriculture, energy, and security. China pledged financing and expertise for Vietnam's cross-border rail projects and committed to deeper supply-chain integration, which Vietnam sees as helping its growth and resilience strategy.

Vietnam's balancing posture was further reinforced at the Shangri-La Dialogue in Singapore, where GS-President Tô Lâm delivered the keynote address on 29 May⁵⁶. His remarks emphasized international law, self-restraint, trust-building, and responsible behaviour by major powers, without directly siding with either the U.S. or China. This messaging is consistent with Vietnam's broader approach: maintain strategic autonomy, avoid being drawn too closely into either camp, and preserve a stable external environment for trade and investment despite rising U.S.-China competition.

POLICY AND INDUSTRY DEVELOPMENTS IN STRATEGIC SECTORS

Special tax rates extended for BEV

Vietnam is moving to strengthen its EV and low-emission transport policy framework, combining national tax incentives with local measures to accelerate the green transport transition. The National Assembly passed Law No. 09/2026/QH16 on 24 April 2026, extending the current preferential special consumption tax rates for battery electric vehicles through 2030. Under the law, BEVs will continue to enjoy low special consumption tax rates of 1–3% depending on vehicle type and seat capacity, before increasing from 2031. This gives EV manufacturers and consumers a longer policy runway and signals continued state support for battery EV adoption. In parallel, the Ministry of Finance has proposed amending Decree No. 10/2022/ND-CP to extend the 0% first-time registration fee for battery EVs until the end of 2030, instead of allowing the current incentive to expire earlier.

In response to this policy environment, VinFast continues to expand its electric vehicle lineup, including models for passenger use and service fleets such as taxis and transport operators. Chinese automakers are especially active. Chery, through its Omoda & Jaecoo brand and partnership with Geleximco, is moving ahead with an approximately USD 800 million car assembly plant, with production expected to start around mid-2026 and long-term capacity potentially reaching 200,000 vehicles per year⁵⁷. The brand has also reportedly set an ambition to become one of Vietnam's top three car brands by 2030. Separately, Kim Long Motor has partnered with China's BYD to develop a USD 130

⁵⁵ Viet Nam, China sign 32 cooperation documents, *Government News*, April 17, 2026.

<https://en.baochinhphu.vn/viet-nam-china-sign-32-cooperation-documents-111260417230920781.htm>

⁵⁶ Keynote address by General Secretary and President Tô Lâm at Shangri-la Dialogue 2026, *Government News*, May 29, 2026. <https://en.baochinhphu.vn/keynote-address-by-general-secretary-and-president-to-lam-at-shangri-la-dialogue-2026-11126052921304821.htm>

⁵⁷ China's Chery to set up \$800 mln automobile factory in Vietnam, *Reuters*, April 4, 2026.

<https://www.reuters.com/business/autos-transportation/chinas-chery-set-up-800-mln-automobile-factory-vietnam-2024-04-04/>

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million EV battery plant in Hue City⁵⁸. The plant is expected to first supply batteries for electric commercial vehicles, such as buses, trucks, and minibuses, with BYD providing technical support.

Alongside EV promotion, Vietnam is preparing for the rollout of E10 biofuel gasoline as part of its cleaner transport-fuel and energy-security agenda. MOIT is drafting a Government Resolution to support nationwide E10 implementation from 1 June 2026, together with E5 under Circular 50/2025/TT-BCT. The draft seeks to address key implementation bottlenecks, including pricing, tax and fee incentives, ethanol supply, blending infrastructure, quality testing, and coordination among ministries and fuel wholesalers. In the near term, Vietnam may still need to rely on imported ethanol while domestic supply and blending capacity are expanded. MOIT has also asked automakers and motorcycle manufacturers to publish E10 compatibility information for vehicles in Vietnam, showing that consumer confidence and vehicle performance are key rollout risks. MOIT and MOF are also considering pricing and tax adjustments to make E5 and E10 more attractive than conventional gasoline. However, consumer acceptance remains a key risk, especially if concerns over fuel efficiency, engine compatibility, or vehicle performance become more visible during the rollout.

Energy concerns lead to increased interest in renewable electricity

Beyond transport, Vietnam's green-growth agenda is also being shaped by more immediate energy-security concerns. During the 2026 dry season, rising demand, heatwaves, hydropower constraints, and fuel-price volatility have pushed the Government and EVN to prepare contingency measures, including higher electricity imports from Laos, stronger demand-side management, energy-saving measures, and greater attention to storage solutions such as pumped-storage hydropower and battery systems. Domestically, MOIT is also working with localities to resolve bottlenecks affecting delayed solar and wind projects, while investor disputes over renewable payments remain a risk.

Furthermore, new PM Lê Minh Hưng has instructed authorities to review and update the implementation of Vietnam's revised Power Plan 8 (PDP8), with a view to ensuring sufficient power supply while balancing renewable energy growth with possible additional baseload or backup sources such as coal and gas.

Vietnam is also accelerating the development of a national rare earth strategy⁵⁹, reflecting a shift from resource extraction toward strategic mineral governance and deeper processing. Recent Government directives emphasize tighter state control, no raw exports, technology mastery, environmental safeguards, and the creation of a domestic rare earth value chain linked to semiconductors, batteries, renewable energy, and advanced manufacturing. This strategy direction is partly shaped by China's tighter rare earth controls since 2025 as China uses export licensing to strengthen control over critical mineral supply chains. Customs authorities have also required 100% inspection of rare earth export shipments from May 2026, showing that Vietnam is already tightening oversight of this strategic resource.

Samsung moves forward on semiconductor testing plant

⁵⁸ Vietnam's auto manufacturer to establish \$130 million EV battery plant with China's BYD, *Reuters*, January 27, 2026. <https://www.reuters.com/world/asia-pacific/vietnams-auto-manufacturer-establish-130-million-ev-battery-plant-with-chinas-2026-01-27/>

⁵⁹ Full inspections mandated as Vietnam moves to control rare earth exports, *Vietnam Investment Review*, May 6, 2026. <https://vir.com.vn/full-inspections-mandated-as-vietnam-moves-to-control-rare-earth-exports-152066.html>

Semiconductors and electronics continue to gain momentum in Vietnam, with the most notable recent development being Samsung's planned USD 1.5 billion chip testing plant in Thai Nguyen province⁶⁰. The facility is already under construction and is expected to begin operations in November 2027. It would be Samsung's first semiconductor testing facility in Vietnam and would focus on DRAM and NAND memory chips, strengthening Vietnam's role in the back-end semiconductor supply chain.

At the policy level, Vietnam continues to position 2026 as a pivotal year for moving beyond electronics assembly toward higher-value activities, including chip design, packaging, testing, and workforce development. Intel has also continued discussions with Vietnamese authorities on investment expansion, training, and semiconductor ecosystem development.

New regulation released for AI systems

On April 30, the Government issued Decree No. 142/2026/ND-CP guiding the Law on AI, introduced a risk-based framework for AI system classification and conformity assessment, and placed AI within the national list of strategic technologies. The list of high-risk AI systems is also being developed by the Ministry of Science and Technology to identify AI systems that may pose higher risks to safety, security, human rights, public services, or large groups of users. Shortly after, the PM issued Decision No. 804/QD-TTg on AI-related datasets for essential sectors, showing that Vietnam is also building the data foundation needed for domestic AI development. Together, these moves suggest that Vietnam wants to promote AI as a new growth driver, but within a more controlled framework covering risk management, ethics, data governance, cybersecurity, and state oversight.

IMPACTS AND ADVICE FOR JAPANESE COMPANIES

The new leadership is pushing policy implementation at unusual speed to meet ambitious Party and government targets, especially around double-digit growth, green transition, infrastructure, and the release of stalled resources. Across different sectors, policy implementation is being pushed at a faster pace to support growth, industrial upgrading, green transition, and the removal of long-standing administrative bottlenecks. This creates a more decisive policy environment, where delayed issues may be addressed more actively and strategic sectors may receive stronger government backing. However, the speed of implementation also creates practical risks. Rapid policymaking also creates uncertainty, as new regulations may not be immediately implemented and could be adjusted again after issuance.

⁶⁰ Exclusive: Samsung plans \$1.5 billion chip testing plant in Vietnam, document shows, *Reuters*, May 27, 2026. <https://www.reuters.com/world/asia-pacific/samsung-plans-15-billion-chip-testing-plant-vietnam-document-shows-2026-05-27/>