

Why Mid-Sized Nations Must Treat Tourism Like Semiconductors

The strategic verticalism framework that could prevent your country's largest export industry from being quietly hollowed out

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Ask the economic planning ministry of any mid-sized nation what their strategic industry is, and the answer is reflexive: semiconductors, electric vehicles, biotechnology, advanced manufacturing. Tourism rarely appears on the list. It is treated as a service sector — important for foreign exchange, useful for employment, pleasant for the national brand — but ultimately a soft asset rather than a hard one.

This is the most consequential category error in twenty-first-century economic strategy.

In 2024, tourism contributed 15.1 per cent of Malaysia's GDP, 12 per cent of Thailand's, and double-digit shares in Vietnam, Indonesia, the Philippines, the UAE, and increasingly Saudi Arabia, where Vision 2030 is investing an estimated US\$800 billion into transforming the Kingdom into one of the world's top tourism economies. For these nations, tourism is not a complement to the strategic industrial base. It is the strategic industrial base.

And yet, almost without exception, these nations govern, finance, and regulate tourism as though it were a soft sector — leaving the most consequential decisions about pricing intelligence, capacity planning, and AI deployment to foreign platforms and short-term political cycles.

The Semiconductor Lesson

The semiconductor industry is governed nowhere by spontaneous order. It is governed by what I call strategic verticalism: the deliberate, state-coordinated construction of an industrial stack in which every layer — from raw materials and equipment to design, fabrication, packaging, and distribution — is treated as a national security asset and orchestrated as a single system.

A single Dutch firm, ASML, holds more than 90 per cent of the global market for the lithography systems that print advanced chips, at US\$250 million each. TSMC alone accounts for 69 per cent of global foundry capital expenditure. The United States CHIPS and Science Act committed US\$50 billion in subsidies and catalysed over US\$450 billion in private investment. The European Chips Act, Japan's Rapidus consortium, and South Korea's K-Chips Act follow

identical logic: the state coordinates the vertical stack because no individual firm, however large, can do so alone.

Now ask the parallel question: what does the tourism stack of a mid-sized nation actually look like?

The Tourism Stack — Drawn Honestly

Strip away the marketing language, and the tourism industry of a typical mid-sized nation is built on seven vertical layers. Layer 1 is visitor identity and intent data — the raw silicon of the tourism economy, owned almost entirely by foreign platforms: Booking Holdings, Expedia, Airbnb, Trip.com, Google. Layer 2 is distribution and pricing infrastructure — the lithography of the industry — where OTAs extract 18–25 per cent commissions that flow almost entirely offshore. Layer 3 is property-level operations: hotels, restaurants, attractions — the only layer most ministries actually regulate, because it is the only one with physical assets inside the border.

Layers 4 through 7 — destination experience design, workforce and skills, national brand, and sovereign data and AI infrastructure — are either chronically underfunded, disconnected from the operational layers, or simply do not exist as national assets. The forecasting that matters is done in the proprietary data centres of foreign platforms, using the visitor's own clicks as training data.

A mid-sized nation that derives 12–17 per cent of its GDP from tourism but controls only one of seven layers of its tourism stack is the strategic equivalent of a country that hosts semiconductor fabs but imports its lithography, its design IP, and its materials from sovereigns who are free to redirect that supply at any moment.

Three Countries, Three Choices

Thailand: the warning case. In 2025, international arrivals fell more than 7 per cent, and revenue is projected to drop 20 per cent year-on-year. High-spending Chinese tourists shifted to competitors in response to safety perceptions and visa friction. Thailand built world-class capacity at Layer 3 — extraordinary hotels, transport, dining — but ceded Layers 1, 2, and 7 to foreign platforms. When demand shifted, Thailand had no sovereign data layer to detect it early, no proprietary pricing intelligence to respond, and no vertical control to redirect.

Vietnam: the ascendant case. Vietnam welcomed 21.17 million international visitors in 2025, a 20 per cent increase, with tourism revenue reaching US\$39 billion. But visitor volume is growing faster than per-visitor value, and the country remains heavily dependent on foreign

OTA distribution. Vietnam is winning Layer 3 share from Thailand without yet building Layers 1, 2, or 7. Without deliberate intervention, it will repeat the Thai trajectory within five to seven years.

Malaysia: the strategic case. With 42.2 million international visitors and tourism contributing 15.1 per cent of GDP, Malaysia's extended visa-free policy for Chinese tourists is itself a Layer 7 sovereign decision — using state policy as a substitute for data intelligence. It is a partial, instinctive form of strategic verticalism. The question is whether Kuala Lumpur will build the rest of the stack deliberately, or treat recent gains as a windfall.

Five Imperatives

First, sovereign visitor data must be reclaimed. Every mid-sized tourism economy should be building a national visitor intelligence platform within 24 months.

Second, distribution sovereignty must become a stated national objective. A 50 per cent direct-booking floor by 2030 would return billions annually to host economies.

Third, pricing intelligence must be treated as critical infrastructure — procured, co-developed, or built domestically, not licensed from platforms whose incentives run counter to the host's.

Fourth, AI workforce capacity must be built deliberately. A nation cannot run a vertical tourism stack with a workforce trained only in service delivery.

Fifth, the national brand must be re-anchored to the sovereign stack. “Amazing Thailand” cannot survive a structural decline in data sovereignty. “Truly Asia” cannot survive without AI infrastructure. The national narrative is downstream of the national stack — once the stack is hollow, no campaign budget can refill it.

The Vertical Frontier

Strategic verticalism is not protectionism. It is the recognition that in industries where data, AI, and platform economics concentrate power upstream, sovereign nations must own or co-govern the upstream layers if they wish their downstream advantages to remain meaningful.

The age in which a beautiful coastline, a warm climate, and a friendly population were sufficient to sustain a 12–17 per cent GDP contribution is ending. The age in which AI models, visitor data, pricing engines, and distribution rails decide who captures the value of the next visitor is already here.

The vertical frontier is open. It will not stay open for long.

About the author

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