ASEAN GEOECONOMICS REPORT 2025

This Time It Is Different:

ASEAN's Agency in Shaping The New Global Agenda

An Integrative Report by
the ASEAN Geoeconomics Task Force

ASEAN MALAYSIA 2025
INCLUSIVITY AND SUSTAINABILITY

ASEAN Geoeconomics Report 2025

This Time It Is Different:
ASEAN’s Agency in Shaping the New Global Agenda

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This Time It Is Different: ASEAN's Agency in Shaping the New Global Agenda

Authors: Liew Chin Tong, Djatmiko Bris Witjaksono, Mari Elka Pangestu, Fraziali Ismail, Rebecca Sta Maria, Yose Rizal Damuri

Cover Design: Susilo Bambang Yudhoyono, *Only the Strong*, 2025, acrylic on canvas, 140 × 140 cm. Image courtesy of the artist and used with permission. Further permission required for reuse.

Artist Note: Susilo Bambang Yudhoyono, the sixth President of the Republic of Indonesia, has in recent years devoted himself to painting and has exhibited his works in Indonesia. "Only the Strong" depicts eternal strength and a heart and spirit that never gives up - a ship tested on its voyage through volatile seas, the red sky symbolises courage and fighting spirit, while the yellow rays of the sun convey unending hope.

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Foreword

As Co-Chairs of the ASEAN Geoeconomics Task Force (AGTF), we are pleased to present the first ASEAN Geoeconomics Report (AGR) 2025. This Co-Chairs' Report has been prepared by the Experts Group of the AGTF, and discussed and reviewed extensively by the Task Force, with recommendations to be further deliberated by ASEAN Member States (AMS). This Report demonstrates the region's shared ambition to shape a more resilient, innovative, dynamic and people-centred ASEAN. This vision, set out in ASEAN 2045: Our Shared Future, requires the region to respond effectively and continue to thrive amid external and internal challenges.

The idea for this Task Force came about in response to a non-paper from Indonesia at the 31st ASEAN Economic Ministers' (AEM) Retreat on 28 February 2025, which urged the reshaping of our ASEAN vision in response to external uncertainties. At Malaysia's suggestion, the AGTF was proposed to comprise experts and relevant senior officials from AMS and include 1.5-track participation. The creation of the AGTF was formalised at the Special AEM on 10 April 2025, convened after the announcement of the United States' reciprocal tariffs on 2 April 2025. Supported by experts, the AGTF was tasked to prepare a Report that will assess the impact, key risks and opportunities arising from external uncertainties, formulate policy recommendations for ASEAN to navigate these challenges, and coordinate responses to ensure regional resilience.

The AGR 2025 comes at a pivotal moment for ASEAN. This time it is different because ASEAN is facing heightened geopolitical uncertainties, disruption of the global economic order, and the growing nexus between economics and security. This calls for a holistic and coordinated response that safeguards ASEAN resilience and avoids harm, and reaffirmation of the rules-based order that has underpinned regional integration and stability. This time it is also different because many ASEAN Member States are still working through the effects of the COVID-19 pandemic while confronting slower growth in external markets and rising domestic pressures. These dynamics reinforce the imperative for a collective response to minimise harm and bolster domestic and regional resilience.

ASEAN has stepped up in previous crises. This is another moment that demands such vision leadership, beyond the business as usual, given the significant risks to ASEAN's growth, trade, and stability outlined in the Report. Because conditions are different, the response must also evolve.

ASEAN needs to strengthen its regional architecture, reinforce Centrality, and play an active role in shaping the emerging global agenda that supports regional and national resilience. There is also a need to recognise the growing link between security and economics and to strengthen cross-sectoral and cross-pillar coordination to address it. Reinforcing multilateralism is essential and an integral part to the strategy.

The AGR 2025 sets out recommendations that centre on managing short-term risks from external shocks; advancing regional economic integration and resilience supported by domestic reforms; contributing to and strengthening multilateral rules and institutions; improving cross-pillar coordination to respond to the economic-security nexus; and pursuing longer-term transformation to secure competitiveness and resilience.

The AGR 2025 was presented to the Joint ASEAN Foreign and Economic Ministers' Meeting on 25 October 2025 in Kuala Lumpur. Ministers welcomed the key findings and recommendations by the AGTF, which outline the holistic three-pronged approach by ASEAN to address the immediate fallout from uncertainties in international trade policies, strengthen regional resilience, and shape global governance and reinforce ASEAN institutions. Ministers tasked Senior Officials, in coordination with the ASEAN Secretariat, to discuss the recommendations and propose a way forward.

We are encouraged by the proposal for the Joint AMM-AEM Meeting to be institutionalised as a regular platform to address geoeconomic issues. We also expect that the AGTF's work will be continued through a similar high-level mechanism anchored in both the political-security and economic pillars and supported by eminent persons from Track 1.5. We further look forward to this inaugural ASEAN Geoeconomics Report will be followed by subsequent annual iterations to guide ASEAN in a more challenging global environment.

We hope this Report will raise awareness among policy makers of the risks and opportunities arising from ongoing geoeconomic shifts, and support ASEAN not only to respond, but also to take agency in shaping the regional and global agenda that will secure a shared future for ASEAN.

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October 2025

Acknowledgements

The AGR 2025 was prepared under the strategic guidance of the Co-Chairs of the AGTF: Liew Chin Tong, Deputy Minister of Investment, Trade and Industry, Malaysia; Dyah Roro Esti, Vice Minister of Trade, Indonesia; and Djatmiko B. Witjaksono, Director General, International Trade Negotiations, Ministry of Trade, Indonesia.

The AGR 2025 was prepared under the leadership of the Co-Chairs of the Expert Group of the AGTF: Fraziali Ismail, Assistant Governor of Bank Negara Malaysia, and Mari Elka Pangestu, Professor of International Economics at Universitas Indonesia and Special Envoy to the President for International Trade and Multilateral Cooperation.

We are grateful for the strategic guidance and contributions of Tan Sri Rebecca Fatimah Sta Maria, Director of the Institute for Democracy and Economic Affairs (IDEAS), and Member of the Expert Group from Malaysia; Yose Rizal Damuri, Executive Director of CSIS Indonesia and Member of the Expert Group from Indonesia; and all Members of the AGTF (see attached list).

This report would not have been possible without the excellent support and coordination of our Malaysian and Indonesian teams: Emilia Kamarudin, Senior Analyst, and Shin Yau Yeam, Deputy Director, Bank Negara Malaysia; Rania Teguh, Assistant, and Julia Tijaja, Associate Senior Fellow at the ISEAS – Yusof Ishak Institute and special adviser at the Office of the Special Envoy to the President for International Trade and Multilateral Cooperation, Indonesia.

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We are also grateful to Satvinder Singh, Deputy Secretary-General of ASEAN for the ASEAN Economic Community at the ASEAN Secretariat, and his team at the ASEAN Integration Monitoring Directorate, for their valuable inputs, coordination of meetings, and facilitation of communications between the AGTF and ASEAN's official processes.

The report also benefited from two expert studies prepared as inputs to the AGR and published alongside it. We acknowledge the excellent work of the Economic Research Institute for ASEAN and East Asia (ERIA) and the Boston Consulting Group (BCG), through the Growth Gateway Programme, whose research and analysis informed the macroeconomic, trade, and private sector perspectives featured in this report.

This report would not have been possible without the inputs, analysis, and feedback from partner institutions and networks. We would like to thank Peter Drysdale and Shiro Armstrong from the East Asian Bureau of Economic Research, Australian National University; and Warwick McKibbin from the Peterson Institute for International Economics.

We also acknowledge the ASEAN Track 1.5 network, which brings together current and former policymakers, researchers, and think tanks across the economic and security domains; as well as private-sector partners, including Tan Sri Nazir Razak, Chair of the ASEAN Business Advisory Council, and the team, the East Asia Business Advisory Council, and other participants in our dialogues and roundtables.

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Abbreviation

AANZFTA	ASEAN–Australia–New Zealand Free Trade Area
ABE	ASEAN Business Entity
ACC	ASEAN Coordinating Council
ACFTA	ASEAN-China Free Trade Area
ACRF	ASEAN Comprehensive Recovery Framework
AEC	ASEAN Economic Community
AEM	ASEAN Economic Ministers
AFC	Asian financial crisis
AFISS	ASEAN Framework on Integrated Semiconductor Supply Chains
AFTA	ASEAN Free Trade Area
AGTF	ASEAN Geoeconomic Task Force
AI	Artificial Intelligence
AIFF	ASEAN Investment Facilitation Framework
AIPBI	ASEAN Industrial Projects Based Initiative
AMM	ASEAN Foreign Ministers' Meeting
AMS	ASEAN Member States
AOIP	ASEAN's Indo-Pacific Outlook
APEC	Asia-Pacific Economic Cooperation
APSC	ASEAN Political Security Community
ASCC	ASEAN Socio-Cultural Community
ASEAN	Association of Southeast Asian Nations
ASFF	ASEAN Service Facilitation Framework
ASW	ASEAN Single Window
ATF-JCC	ASEAN Trade Facilitation Joint Consultative Committee
ATIGA	ASEAN Trade in Goods Agreement
ATISA	ASEAN Trade in Services Agreement

ATP	Assembly, Testing, and Packaging
ASEAN-BAC	ASEAN Business Advisory Council
BCG	Boston Consulting Group
Capex	Capital Expenditure
CAR	Capital Adequacy Ratio
CBP	US Customs and Border Protection
CCA	ASEAN Committee on the Implementation of the ASEAN Trade in Goods Agreement
CCI	ASEAN Coordinating Committee on Investment
CEPA	Comprehensive Economic Partnership Agreement
CET	Common External Tariff
CMGR	Compounded Monthly Growth Rate
COVID-19	Coronavirus Disease 2019
CPTF	Customs Procedures and Trade Facilitation
CPTPP	Comprehensive and Progressive Agreement for Trans-Pacific Partnership
CRS	Comprehensive Regional Security
CSIS	Centre for Strategic and International Studies
DEFA	ASEAN Digital Economy Framework Agreement
DEPA	Digital Economy Partnership Agreement
EABC	East Asia Business Council
EABER	The East Asian Bureau of Economic Research
EIF	Entry Into Force
ERIA	Economic Research Institute for ASEAN and East Asia
ESG	Environmental, Social, and Governance
EU	European Union
EV	Electric Vehicle
FDI	Foreign Direct Investment
FTA	Free Trade Agreement
GDP	Gross Domestic Product
GFC	Global Financial Crisis
GTAP	Global Trade Analysis Project
HLTF-EI	High-Level Task Force on ASEAN Economic Integration
HTS	Harmonized Tariff Schedule
ICT	Information and Communication Technology
IMF	International Monetary Fund
IP	Intellectual property
IPEF	Indo-Pacific Economic Framework for Prosperity
ASEAN-ISIS	ASEAN Institutes of Strategic and International Studies
IT	Information Technology
JETRO	Japan External Trade Organization

LCY	Local Currency
LDC	Least Developed Countries
MFN	Most Favoured Nation
MOU	Memorandum of Understanding
MPIA	Multi-Party Interim Appeal Arbitration Arrangement
MRA	Mutual Recognition Agreement
MSME	Micro, Small, and Medium Enterprise
NPL	Non-Performing Loan
NSW	Nation Single Window
NTM	Non-Tariff Measure
PC	Parts and Components
PPP	Purchasing Power Parity
PSR	Product-Specific Rules
RCEP	Regional Comprehensive Economic Partnership
ROE	Return on Equity
RoO	Rules of Origin
SEOM	ASEAN Senior Economic Officials' Meeting
SME	Small and Medium Enterprise
SOM	ASEAN Senior Officials' Meeting
UN	United Nations
UNCITRAL	UN Commission on International Trade Law
UNCTAD	UN Trade and Development
US	United States
USD	United States Dollar
WCO	World Customs Organization
WTO	World Trade Organization
YoY	Year-on-Year

Executive Summary

Unprecedented challenges to the global economic order

The global economic and trading system is undergoing its most profound disruption since the creation of the World Trade Organization (WTO) in 1995. With the prosperity of ASEAN Member States (AMS) dependent on integration into global value chains, this presents a serious risk to their present and future economic security.

The current global order has also become increasingly securitised, with major powers weaponising interdependence to advance strategic aims. ASEAN must respond in geoeconomic, rather than purely security, terms — strengthening its economic resilience and agency while avoiding actions that contribute to the over-securitisation of the global economy.

The ASEAN Geoeconomics Task Force (AGTF) concludes that US tariff hikes, their second-order effects, and trends towards fragmentation of global trade pose significant risks to ASEAN's growth, trade, and financial stability. The AGTF's analysis shows that coordinated ASEAN action, particularly ensuring the full and effective implementation of the Regional Comprehensive Economic Partnership (RCEP) and deepening external partnerships, including through the ASEAN Plus 1 FTAs and beyond, can help mitigate these negative impacts, provided member states are able to overcome existing fragmentation and commit to collective action.

To build long-term resilience, ASEAN must realise the potential of its internal markets and unlock new sources of demand from the broader region. Collective regional resilience offers both a buffer to shocks and a launch pad for a futureproofed ASEAN. This is also an opportunity for ASEAN to demonstrate the value of centrality in shaping regional architecture and to fill a global leadership vacuum in consolidating support for open and inclusive rules-based trade.

ASEAN has stepped up in past crises — from its founding amid the Cold War to responses during the Asian Financial Crisis and the COVID-19 pandemic. The task today is not to restore the old order but to build arrangements that keep rules-based governance alive and rejuvenate it in a multipolar world.

An action plan for ASEAN leadership

ASEAN should seek to strengthen agency, coordination, and resilience, recognising the persistent challenges of divergent national interests and implementation gaps. The task is not only to manage immediate economic shocks but to build long-term regional stability through integration, interdependence, and shared prosperity. This requires recognising the growing nexus between economics and security and embedding geoeconomic thinking across all strategies.

In the short term, ASEAN should use its dialogue and cooperation mechanisms to avoid fragmented responses and mitigate shocks. The April 2025 Special ASEAN Economic Ministers' Meeting (AEM) set a precedent with a three-pronged approach:

1. Engage constructively with the United States;
2. Reaffirm commitment to WTO-centred rules-based multilateralism; and
3. Strengthen regional and domestic resilience against tariff and trade disruptions.

Bilateral talks with the United States, however, must avoid discrimination among AMS, preserve ASEAN integration, comply with WTO commitments, and manage the risk of trade diversion. ASEAN should coordinate its positions and carry them through collective platforms such as the ASEAN-US Summit and the East Asia Summit, while leveraging existing FTAs and structural reforms to diversify markets and enhance domestic resilience. This approach is aligned with ASEAN's common intention, as enshrined in the Joint Statement of the ASEAN Economic Ministers on the Introduction of Unilateral Tariffs of the United States, to engage in a frank and constructive dialogue with the U.S. to address trade-related and concerns to ensure a balanced and sustainable relationship.

For long-term resilience, ASEAN must strengthen internal market integration and unlock regional demand. Priorities include ensuring early entry into force and effective implementation of the upgraded ATIGA, concluding the ASEAN Digital Economy Framework Agreement (DEFA), streamlining non-tariff measures, facilitating investment and the seamless movement of natural persons in the region, optimising the ASEAN Single Window, as well as fully implementing RCEP and boosting utilisation of ASEAN Plus FTAs. These steps will build economic resilience while reinforcing strategic stability.

Reinforcing multilateralism remains a priority. ASEAN must recommit to WTO-centred rules as a normative foundation and support plurilateral initiatives in investment facilitation, digital trade, and services. ASEAN should also pragmatically pursue plurilateral and regional arrangements where multilateral consensus is unattainable, ensuring these efforts are complementary and not contradictory. Where full multilateral consensus is not possible, ASEAN can lead coalitions of the willing while preserving dialogue and cooperation.

ASEAN must act on four fronts:

1. Manage short-term risks to shield the region from external shocks;
2. Advance regional integration and resilience, leveraging domestic reforms and internal market potential;

3. Strengthen multilateralism and institutions, embedding cross-pillar coordination and mechanisms for economic-security alignment;
4. Pursue ambitious goals that transform the region, including a common external tariff, coherent industrial policy, and a new mindset on implementation.

A clear vision of comprehensive approach to security is essential. ASEAN should begin discussions on the principles and elements of a regional security framework and establish mechanisms to mainstream these across all pillars, linking economic, political, and security dimensions. Anchoring this framework in geoeconomic principles will help ensure that ASEAN strengthens security through economic strength and rule-making, not confrontation. Strong institutions, structured engagement with stakeholders, and credible monitoring are critical to delivering results. Businesses, investors, and partners are looking for tangible progress and consistent follow-through.

The time is now.

Part 1: What Confronts ASEAN Today

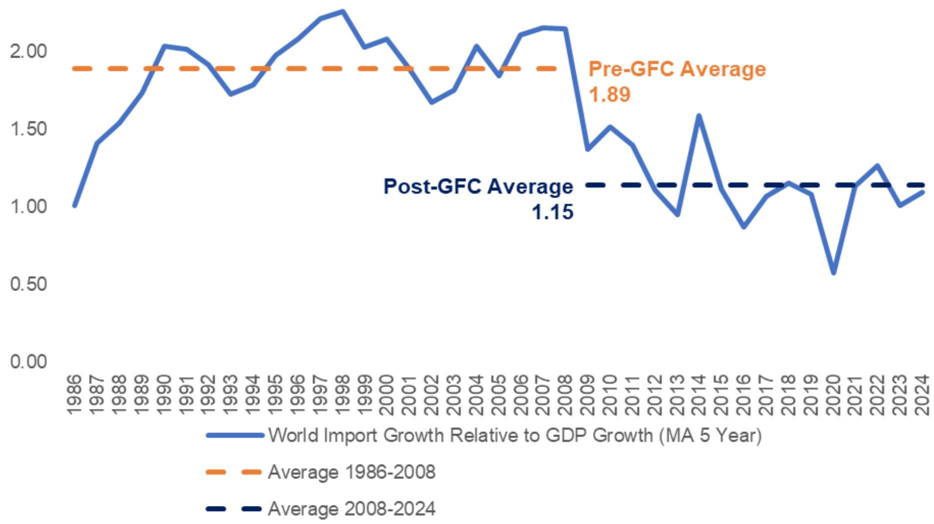
1.1. This Time It Is Different

Globalisation is undergoing a period of massive change. The decades after the Second World War brought stability and development for much of the world. It accelerated in the years before the global financial crisis, with more countries joining the global economic system, rapid trade liberalisation, expanding global value chains, and deeper market integration. The International Monetary Fund (IMF), the World Bank, and later the World Trade Organization (WTO) created frameworks that stabilised exchange rates, lowered barriers to exchange, and promoted a rules-based regime. ASEAN benefited greatly. Export-led growth, integration into production networks, and foreign investment were enabled by predictable rules and open markets. That order now faces serious challenges.

Since the 2008 global financial crisis, globalisation has slowed. Cross-border trade and investment flows have become less dynamic. Figure 1 shows an indicator of world import growth relative to economic growth in a five-year moving average. World imports in the period after the global financial crisis tended to decline, continuing through the COVID-19 pandemic and other global economic shocks. Some scholars describe this as an age of “slowbalisation” (Antràs 2020). External shocks have accelerated this trend. COVID-19 disrupted supply chains and, along with strategic competition between China and the United States, reshaped views of economic security. The war in Ukraine reinforced the use of sanctions, energy cut-offs, and export restrictions as strategic weapons. Many states no longer view interdependence solely as a guarantee of peace, but also as a vulnerability to be managed or exploited.

At the same time, the global distribution of power has shifted. In 1995, the United States, Europe and Japan accounted for nearly three-quarters of world GDP. By 2023, their share had fallen to about half (Aiyar et al. 2023). Emerging economies, above all China, now significantly define the global economy. China accounts for a third of global manufacturing value-added, and other middle powers, from India to Indonesia, have become central actors. The unipolar moment of US dominance has passed. A multipolar order is emerging, and it is at risk of being defined by rivalry, fragmentation and unilateralism.

Figure 1. World import growth relative to GDP growth (per cent)



Source: Damuri and Rafitrandi (2023)

Fragmentation started to occur when the rise of rival powers began to challenge the dominance of the incumbent hegemon. While the US-China trade war in 2018 is often seen as the starting point, the signs of strain appeared earlier. China's rapid growth saw it overtake the United States as the world's largest economy in PPP terms by the mid-2010s. Its role as the global manufacturing hub and expanding technological capabilities made the unipolar moment increasingly unsustainable.

The global economy is now at an inflection point. The period of hyperglobalisation, underpinned by US leadership and a relatively open rules-based system, has given way to fragmentation and multipolarity. Within the WTO-based global trade regime, regional frameworks and preferential trade agreements have proliferated as states seek resilience in smaller, like-minded coalitions. Alliances that were once values-based or rules-based are now tempered by hedging strategies, selective engagement and the pursuit of security through economic tools.

Fragmentation weakens multilateralism

These shifts have weakened multilateralism. Confidence in the WTO as the arbiter of global trade has eroded and unilateral measures by major powers have undermined the predictability and credibility of the system. Countries have increasingly prioritised economic security, supply chain control and technological self-sufficiency over the efficiency gains of liberalisation. The outcome is a more fragmented order where global cooperation is weaker, regionalism is stronger and power is more contested.

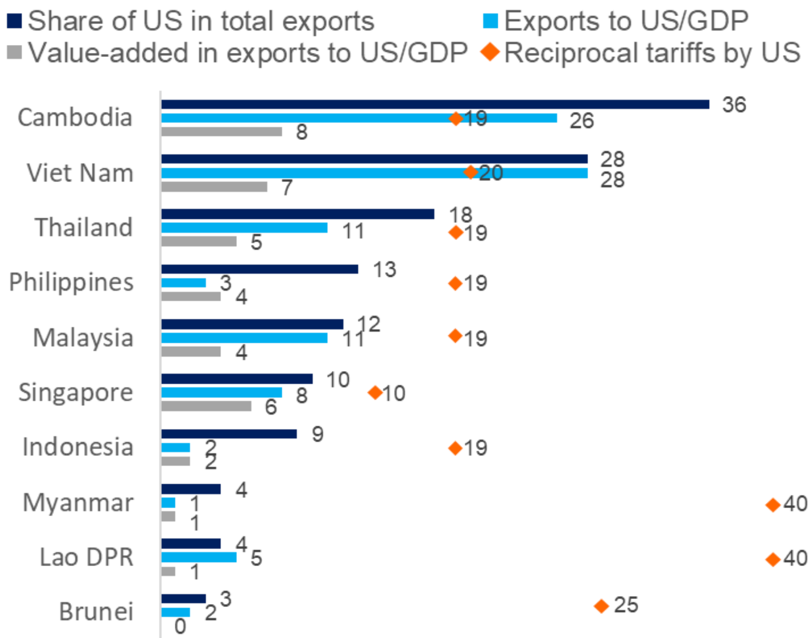
The outbreak of the US-China trade war in 2018 marked a turning point. Tariffs, retaliatory measures, managed trade between the world's two largest trading nations, and a more interventionist state role in trade policy signalled the erosion of confidence in liberalisation. The imposition of US tariffs on China was met with tit-for-tat retaliation.

China has also leveraged its control over certain critical goods. On a smaller scale, it has imposed informal trade restrictions on certain countries in response to policies perceived as not aligned with China's core interests.

The return of Donald Trump to the US presidency in 2024 has dramatically deepened this trend. His administration launched a round of "reciprocal tariffs" in April 2025 on a long list of countries, including ASEAN.

No ASEAN Member State (AMS) was spared. The latest US Executive Order regarding tariffs, signed on 31 July imposes tariffs between 10 to 40 per cent across AMS. While the latest rates reflect a reduction from those originally announced on 2 April 2025, they appear to come with significant and uneven conditions, and yet unspecified transshipment rules that could penalise AMS for being part of broader regional value chains. The result is a fragmented pattern of outcomes across the region, with some members exposed to higher tariffs and others tied to specific concessions as shown in Figure 2.

Figure 2. Exports to US and reciprocal tariffs (per cent)



Source: World Bank (2025)

Beyond tariffs, the United States has also imposed industry-specific restrictions in strategic sectors such as semiconductors, automobiles and metals. These reflect a broader shift towards the the use of economic statecraft. Beyond trade, finance and technology restrictions are also now explicitly deployed for strategic advantage. China and the EU have responded with their own measures. The predictable rules-based environment of the WTO-centred order has begun to give way to managed competition and coercive tools.

Furthermore, ASEAN must respond to megatrends reshaping the global economy, particularly in addressing issues on climate change, digital technology and AI transformation, and aging society. Competitiveness will depend on building resilient and sustained supply chains, while also adapting to and leveraging new technologies to drive growth and integration.

What does it mean for ASEAN comprehensive regional security?

Comprehensive security approach is not a new concept for the region, and encompasses the three pillars of peace, security and resilience. Since its founding and in its development, the element of comprehensive security is embedded in the ASEAN process, including the three pillars of the ASEAN Community.

ASEAN Charter (2007) stipulates that the purposes of ASEAN include to enhance regional resilience by promoting greater political security, economic, and socio-cultural cooperation and to respond effectively, in accordance with the principle of comprehensive security to all forms of threats, transnational crimes and transboundary challenges.

It has also been based on multilateralism; open regionalism — that is regional economic integration that does not harm regions outside of ASEAN, equal treatment within a rules-based system and interdependence. Economic interdependence was seen as a benefit and created a peace dividend. The overlapping regional interdependence and networks of trade agreements in ASEAN have come about from cooperation and consensus building.

These principles have served ASEAN and East Asia well in its decades of development and are even more important now. It was achieved because there was confidence in the multilateral rules-based order, the principle of equal treatment and post-cold war security architecture. In fact, the WTO with its clear multilateral open and fair based rules system was beneficial to the smallest developing countries because it provided for one country one vote, provided the ability for the small to bring the large to dispute settlement if there were unfair trade practices and diffuses the power of the powerful countries to use trade and investment ties as a tool of coercion.

What is different now is that governments are responding with traditional security responses to the reemergence of great power rivalry, the disruption of the geopolitical status quo and the retreat from multilateralism as already pointed out. The response has been to unwind economic interdependence perceived as containing risks and vulnerabilities, weaponizing economic interdependence for coercive purposes or securitization of economics to protect from its weaponization and threatening military force to achieve political ends.

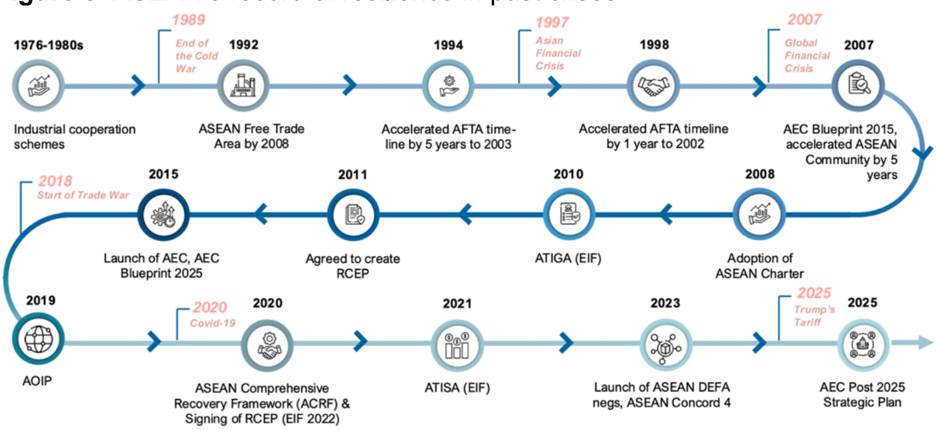
The justification for these measures is economic security, but they are leading to zero-sum geopolitical competition rather than the cooperative undertakings of the past. The risk of economic and political fragmentation is high, with countries and regions being asked to choose sides. This affects international trade and other economic activity. The cost to ASEAN will be significant if this continues, making it necessary to craft an effective response.

From past lessons to today's implications

For ASEAN, these developments highlight two realities. First, the region is directly exposed to external shocks. Reciprocal tariffs, supply chain disruptions, and the use of economic measures as tools of coercion have immediate consequences for growth and stability. Second, ASEAN's own cohesion is being tested. When AMS pursue uncoordinated, country-specific arrangements, strategies diverge and collective leverage is weakened. This undermines ASEAN centrality and risks marginalising the region in great-power competition.

This time, however, the pressures are different. Not only are external uncertainties at a level unprecedented in recent history, but they coincide with mounting domestic strains. Across much of the region, growth has slowed and the creation of decent jobs has lagged, fuelling social discontent. These pressures are visible across several ASEAN countries, where recent protests highlight how fragile domestic cohesion can become when external shocks compound internal grievances. **The challenge for ASEAN is therefore twofold: to withstand external fragmentation while addressing domestic challenges at home.**

Figure 3. ASEAN's record of resilience in past crises



Source: Multiple Sources

ASEAN's history shows it can respond effectively to crises and shocks through deeper cooperation. The Asian financial crisis spurred the acceleration of the ASEAN Free Trade Area. The global financial crisis led ASEAN to bring forward the launch of the ASEAN Community. During COVID-19, ASEAN collectively adopted the multidimensional exit strategy, the ASEAN Comprehensive Recovery Framework, and the MOU on the Implementation of Non-Tariff Measures on Essential Goods, as well as signed the Regional Comprehensive Economic Partnership (RCEP) to reinforce supply chain resilience. These episodes show that crises and shocks can be leveraged to build stronger regional frameworks and enhance ASEAN's role in shaping the global economic order.

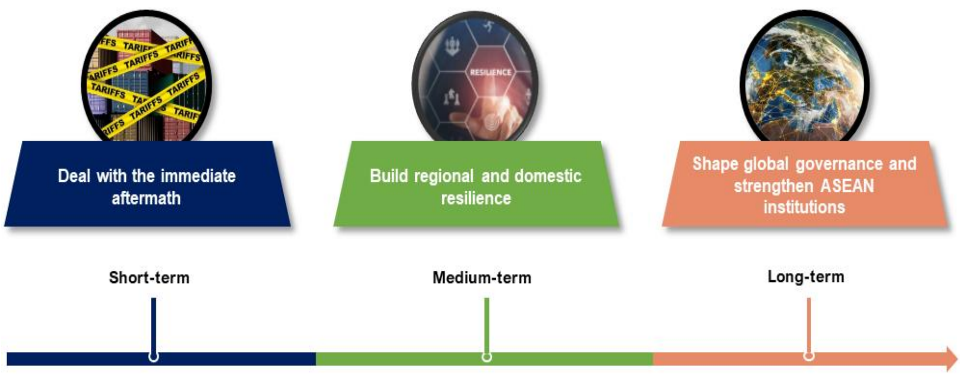
The current moment demands a similar response, but the stakes are higher. The issues now extend beyond economics to the intersection of economics and security. ASEAN was founded in 1967 as a political-security grouping that sought stability through economic cooperation. That logic is even stronger today. Economics and security cannot be separated.

To sustain integration, ASEAN must adapt to a world where external powers use economic instruments for strategic ends and in turn strategically use its own instruments, both political and economics, to safeguard resilience.

The need to mainstream geoeconomics thinking into ASEAN

In April 2025, the Special ASEAN Economic Ministers' Meeting (AEM) led by example, adopting a holistic three-pronged strategy. This can be translated into a coordinated geoeconomic strategy for ASEAN. First, the region must manage the immediate fallout from uncertainties in international trade policies. Second, it needs to build regional resilience through stronger markets, supply chains, and social cohesion. Third, ASEAN should actively participate in shaping the evolving global governance architecture while strengthening its institutions. Together, these three elements provide the foundation for a strategy that responds to current challenges and secures ASEAN's long-term position.

Figure 4. ASEAN's three-pronged strategy



Source: ASEAN Economic Ministers (2025)

A strategic recalibration of ASEAN's geoeconomic approach is needed. This involves reframing centrality considering sharper great-power rivalry, strengthening ASEAN's agency and improving coordination across its economic, political and security pillars. It means recognising that "more trade" or "deeper integration" is not sufficient.

The region must be clear about what kind of integration it seeks. Trade that undermines domestic industries or worsens inequality can destabilise societies and fuel populism. Across Asia, difficulties in generating and distributing quality economic growth have led to a shortage of well-paying formal jobs and eroded trust in institutions.

The populist responses that these pressures generate can threaten political stability and regional cohesion. Poor management of the economic and social effects of trade liberalisation in Europe and the United States contributed to today's political crises. Lack of decent job opportunities and persistent informal economy led to growing class of disenchanted youth and informal workers. If ASEAN does not address these distributional pressures, it risks repeating the same mistakes, with integration becoming a source of instability rather than resilience.

This overlap of external and internal vulnerabilities is what makes the current moment different from past episodes. Earlier crises largely galvanised ASEAN towards greater integration, but today's challenge cuts deeper: economic shocks are transmitted into already fragile domestic environments where public support for governments is under strain and the call for normative regional aspirations seems disconnected from day-to-day realities. That makes ASEAN's collective response even more urgent.

ASEAN must articulate the goals of the trade and cooperation it seeks, and the forms and principles of multilateralism it needs to uphold, aligning them with both national and regional interests.

Figure 5. Linking immediate challenges with ASEAN's long-term agenda

National vs Regional	• ASEAN members have varying geopolitical priorities. • Regional focus brings shared challenges and cooperation benefits. • Parallel frameworks diverting focus from ASEAN role → need to turn into opportunities.
Limitations of pillar approach	• APSC, AEC, and ASCC. • Allow progress in community building but risk working in silos. An issue in time of securitisation, geopolitics and geoeconomics • Country coordinator different for APSC and AEC.
A different crisis	• ASEAN has weathered past crises (AFC, GFC, Indo-Pacific). • Today: deeper interconnection, global slowdown, multipolarity, polycrisis. • Economic-security link is here to stay → stronger institutional response needed.
ASEAN 2045 momentum	• Rising risks demand stronger cross-pillar coordination (incl. AOIP). • Chance to deepen cross- and intra-pillar integration. • today's environment offers ASEAN a larger role.

Source: AGTF Experts' Views (2025)

ASEAN faces tensions between national interests and the need for stronger regional action. The limits of the current pillar-based framework constrain coordination, especially when challenges cut across economic, political, and security domains. The region is also confronting a different type of crisis, one that is less about conventional shocks and more about systemic risks that blur domestic and external boundaries. At the same time, ASEAN's 2045 agenda offer a chance to build momentum, linking immediate responses to longer-term goals of resilience and integration.

Yet ASEAN can no longer afford to move at an incremental pace. The speed and scale of current changes demand faster and more coordinated action. A slow or fragmented ASEAN risks being shaped by external agendas rather than shaping outcomes itself.

Globalisation has become a battleground where major powers weaponise interdependence to advance strategic aims. Economic statecraft, once confined to wartime, now shapes daily trade, investment, and technology decisions. ASEAN cannot allow the region to become an economic frontline. It must manage these pressures without being drawn into the logic of confrontation.

This is why ASEAN's response must be geoeconomic in nature. The region needs a strategy that builds economic strength and resilience without reinforcing the security-driven logic shaping global competition. A geoeconomic approach enables ASEAN to shape the rules and networks that sustain interdependence while avoiding actions that contribute to an over-securitised world.

ASEAN has both advantages and limits. Its size and openness provide a buffer against external shocks and make it an attractive hub for supply-chain diversification. Its inclusive platforms allow dialogue without taking sides. Yet diversity in economic and strategic outlooks, and consensus-based decision-making, constrain joint action. Without shared principles, members risk being pulled into others' security agendas. Stronger coordination, especially among the larger economies, is needed to share perspectives, align standards, and manage risks from the weaponisation of trade and technology.

Regional markets must be reinvigorated. On the supply side, ASEAN must build competitiveness and resilience to manage external shocks and guard against surges of imports diverted from other markets and benefit from the resulting shifts in supply chains. On the demand side, ASEAN needs to foster stronger middle-class consumption to promote domestic-based industrial growth. Earlier phases of ASEAN's development benefited from robust and widely distributed global demand. That demand is now fragmented, contested, and conditional, potentially tied to geopolitical alignment and unilateral trade policy changes. Coordinated effort through ASEAN-plus arrangements like RCEP can help avoid further fragmentation and prevent obstructive geopolitical misalignment with ASEAN's Dialogue Partners and is an instrument by which to help promote consumption in the region. Building regional demand is critical for future growth.

Commitments must be reinforced through effective implementation. ASEAN's credibility depends on delivering results, not just issuing declarations. Weak implementation undermines trust in ASEAN mechanisms. Strengthening the role of institutions, investing in the ASEAN Secretariat, and engaging systematically with the private sector, academia and civil society are vital. ASEAN also needs to be clearer about its principles. For example, while supporting multilateralism, ASEAN should define the type of rules it supports and reform areas it proposes, the specific conditions under which national security exemptions can be used, and its position on subsidies and unfair trading practices. Without clarity on its principles, ASEAN risks being pulled into external coercive strategies.

ASEAN's geoeconomic strategy must focus not just on integration for its own sake, but on building resilience, inclusiveness and stability. The challenge is not simply how to expand trade, but how to pursue the right kind of trade. It is not only about joining global initiatives but ensuring that ASEAN's participation reflects its own interests and principles. This requires sharper articulation of what ASEAN stands for and what it will resist. ASEAN foundational multilateral principles are the starting point.

The lesson from ASEAN's own history is clear: crises can be turned into opportunities. The organisation itself was born out of instability in 1967, and later shocks, from the Asian financial crisis to the COVID-19 pandemic, spurred deeper cooperation. The current moment is more complex because domestic fragilities compound external shocks, but this is precisely why ASEAN cannot afford inaction.

The saying "never waste a good crisis" applies with full force today. The region must treat this as a moment to redefine centrality, reinforce cohesion, and assert its place in a fractured global order.

ASEAN centrality is not an abstract ideal. It means that decisions affecting Southeast Asia should, as far as possible, be shaped within and with the region. In practice, this requires ASEAN to move beyond reactive diplomacy and adopt a proactive geoeconomic strategy. ASEAN must act collectively to protect its prosperity, its stability, and its central role in the evolving regional and global order.

1.2. Economic Impact of Fragmentation

Three broad developments stand out for ASEAN. The first is tariff escalation. Since February 2025, the United States has applied a "reciprocal" tariff system that includes sectoral measures, moving exemptions, and conditional reductions tied to aligned trade agreements. Implementation of these complex arrangements remains unclear. This has raised uncertainty for exporters and investors and added to global risk premia.

The second is the retreat of global integration. Trade restrictions have risen sharply since 2017, as economies fragment into rival blocs. The IMF links greater geopolitical distance to lower cross-border capital flows, weaker technology diffusion, and risks of financial fragmentation (IMF, 2023; WTO, 2023). This reordering is not only affecting trade, but also investment, finance, and technology flows that underpin growth and development.

The third is ASEAN's growing yet disrupted role in global value chains. US-China tensions have accelerated shifts in production networks toward the region. The United States is sourcing more goods from ASEAN, while China is redirecting exports to ASEAN's own expanding markets. ASEAN's manufacturing ecosystem, labour force, and infrastructure have helped position it as both a transshipment point and an alternative hub for global firms seeking resilience. That role is now under threat.

For ASEAN, rising protectionism and fragmentation threaten open markets and predictable rules, on which the region's growth model has depended. Supply chains fragmentation also disproportionately affect the micro, small, and medium enterprises that represent a significant share of the region's private sector as smaller firms are less resilient in navigating rising tariff and non-tariff measures, freight costs and supply chain shortages. Yet trade diversion and supply chain reconfiguration also create opportunities to deepen ASEAN's role in global production. The region's response will determine whether fragmentation leads to exclusion or to a stronger collective position in the global economy.

Trade transmission channels and risk scenarios

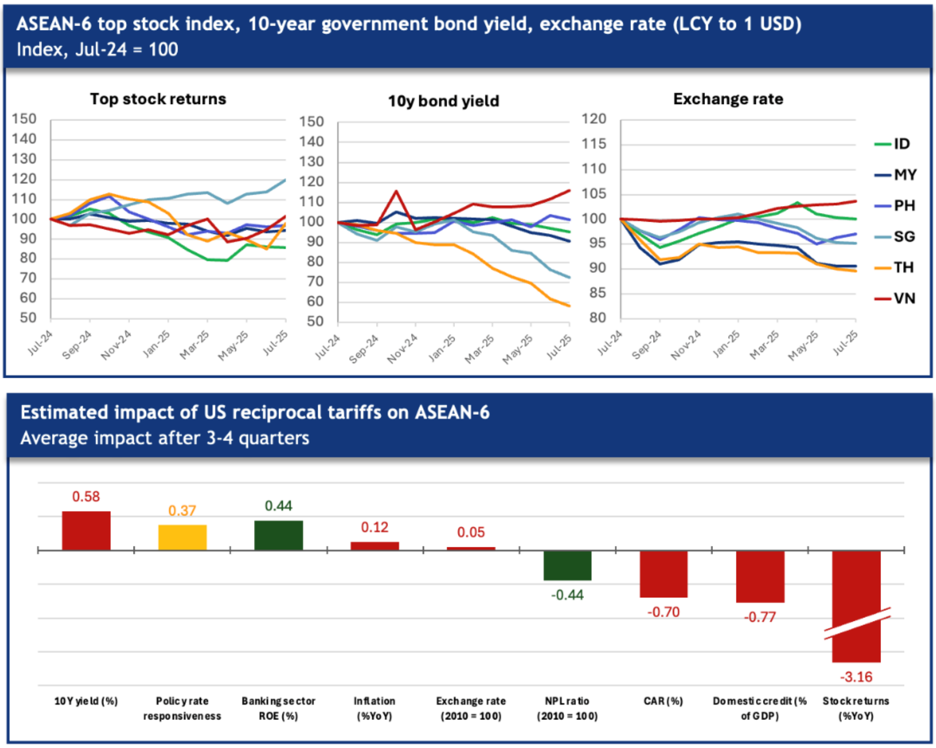
Across institutions, the consensus is that geoeconomic fragmentation transmits through several channels: trade, capital flows and FDI, technology diffusion, value chains, financial stability, and the provision of global public goods (such as climate cooperation and global trade rules). The literature consistently finds that severe fragmentation imposes long-run output costs, disproportionately affecting low- and middle-income economies. Financial fragmentation heightens macro-financial volatility and risk premia (Aiyar, Presbitero & Ruta, 2023; WTO, 2023; IMF, 2023).

ASEAN's integration with the global economy makes it highly vulnerable to external shocks. In 2024 for the whole region total trade of ASEAN over GDP is close to 90 per cent, but there are differences in the degree of openness amongst the ASEAN countries. The region also anchors supply chains in electronics, automotive, and consumer goods. Analysing how US trade policy changes feed through to ASEAN is key for shaping timely and effective responses in the short term.

Overall macroeconomic impact. Economic Research Institute for ASEAN and East Asia (ERIA) finds that the impact of the announced US tariff package on the ASEAN-6 financial sector would be manageable if introduced in the second half of 2025. The effects vary across countries depending on their financial conditions and economic structures, but overall, the region's financial systems remain resilient. Although, this resilience is conditional and may be tested by deeper or more prolonged external shocks, given ASEAN's high exposure through global value chains.

Markets are expected to turn more cautious, with government borrowing costs rising and stock prices declining. Currencies tend to strengthen briefly before weakening, though changes remain small. Central banks react with cautious interest rate adjustments, while banks face some pressure on capital buffers but maintain stable loan quality and slightly stronger profits.

Figure 6. Impact of reciprocal tariffs on ASEAN-6 financial sector



Source: ERIA (2025)

Country differences are clear. Malaysia, Thailand, and Viet Nam are more exposed through their reliance on technology and consumer goods, while Viet Nam and Indonesia face greater upward pressure on government borrowing costs. The Singapore dollar is less affected, reflecting its safe-haven status. Regional linkages also matter, with ties to China moderating impacts on exchange rates and borrowing costs, and ties to Japan stabilising currencies, stock markets, and bank indicators.

While the direct impact of tariffs is moderate, these risks emerge against a backdrop of slowing global growth. Fiscal prudence will be critical, not only to preserve stability but also to safeguard fiscal space for targeted investments in resilience and to cushion against future shocks.

Risks from capital flow fragmentation are more severe. IMF (2023) estimates suggest that a rise in geopolitical tensions, measured by divergence in UN voting patterns, could cut bilateral portfolio and bank allocations by about 15 per cent. Emerging and developing economies would bear the largest reversals, leading to higher funding costs and weaker credit growth. For ASEAN, this shows the importance of deepening financial resilience and preparing for sudden shifts in capital flows.

Recent simulations by McKibbin, Noland and Shuetrim (2025) reinforce these risks and illustrate how a tariff war would transmit through trade and financial channels. Their analysis uses the G-Cubed model, a multi-country, multi-sector framework that links real and financial sectors across economies. It captures both short-term policy responses and long-term structural shifts, showing how shocks in one major economy spread through global trade, production, and capital markets.

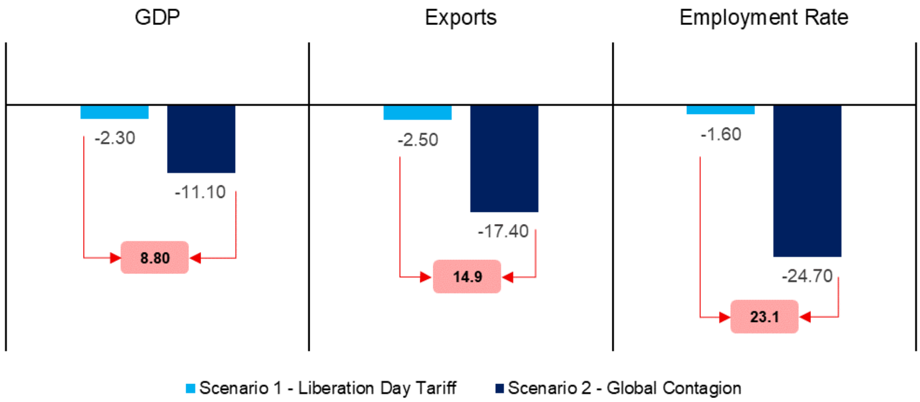
The analysis finds that the more severe the tariff escalation, the deeper the US economic slowdown and the higher its inflation. Retaliation compounds these effects, widening losses across all major economies. The magnitude of the impact varies according to each country's export structure, dependence on the US market, and level of financial integration. Economies more exposed to US demand, or those with concentrated export sectors, face the sharpest declines in output and employment.

A rise in US country risk would further amplify volatility. The analysis simulates a scenario where investors lose confidence in US economic management, leading to a 10 per cent depreciation of the US dollar against the euro and a 100-basis-point increase in risk premiums. This shock would trigger capital outflows from the US into economies with open and credible financial systems. While such inflows could temporarily lift liquidity and asset prices in recipient countries, they would also cause currency appreciation and erode trade competitiveness. The net effect would be negative for export-driven economies, especially in Asia, as weaker external demand from a slowing US economy offsets the gains from capital inflows.

For policymakers, the lesson is clear and forward-looking. Retaliating to tariffs with tariffs only magnifies the damage by shrinking global trade volumes and heightening uncertainty. ASEAN's response should instead focus on diversification and resilience, expanding trade relations with the 85 per cent of the global market outside the US, deepening regional integration, and strengthening macro-financial frameworks. Preparing for sharp revaluations and shifts in global capital flows will be essential if US fiscal and trade policies prove unsustainable or if the current AI-driven equity bubble corrects. A proactive, coordinated approach would help ASEAN maintain stability and strategic autonomy in an increasingly fragmented global economy.

Trade impact. The EABER-CSIS simulation in Figure 7 shows that if Trump's reciprocal tariff escalates into a global contagion, ASEAN's economy would face significant adverse effects. The analysis uses the GTAP model, which is widely used to assess how trade policies affect output, trade, and employment across countries. The model captures how changes in tariffs and trade costs ripple through production networks and global value chains.

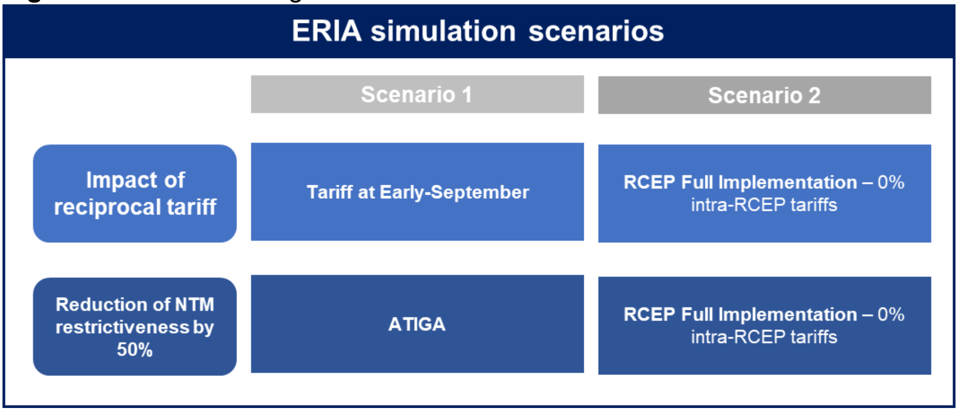
Figure 7. Simulation results on counterfactuals



Source: EABER-CSIS (2025)

Similar to the G-Cubed model simulation, where retaliation compounds the effects of a tariff war, the EABER-CSIS analysis in Figure 7 shows that if all countries were to impose a 15 per cent tariff on imports from all others, ASEAN's GDP would decline by 8.8 per cent, exports by 14.9 per cent, and employment by 23.1 per cent. Thus, while the immediate and direct effects of Trump's tariffs are modest as trade adjusts to the new US tariffs, the spill-on effects would very substantial, leading to a significant hit to ASEAN's economy. This reinforces that relying on unilateral adjustments leaves ASEAN vulnerable to external shocks and erodes the stability needed for long-term development. Such an outcome would also risk unsettling the region's political stability. A cycle of retaliation and rising protectionism is precisely the scenario ASEAN must avoid. Engaging Dialogue Partners requires a forward-looking that moves beyond a business-as-usual mindset and seeks credible pathways for collective resilience.

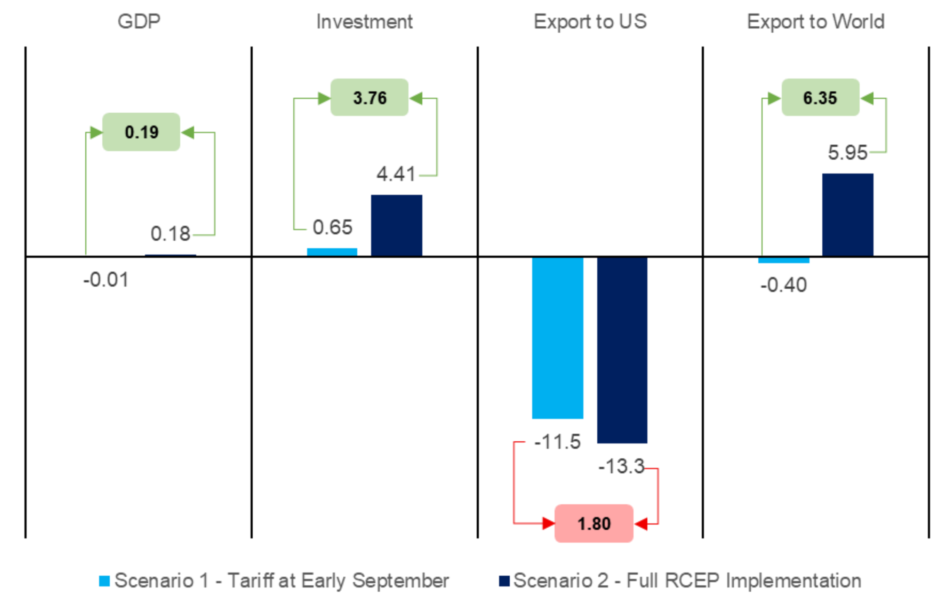
Figure 8. ERIA modelling scenarios



Source: ERIA (2025)

The ERIA simulations are described in Figures 8-10, which shows that ASEAN is able to offset negative impacts from reciprocal tariffs through deeper regional cooperation, particularly through the full implementation of RCEP. The first scenario shows the impact of the modified reciprocal tariffs as adjusted on July 31st was relatively modest on GDP and investment, but a significant drop in exports to the US. However, if the response is fuller economic integration through full implementation of RCEP, exports to the US remain under pressure but ASEAN is able to secure gains in GDP, attract significantly higher investment and expand exports to global markets.

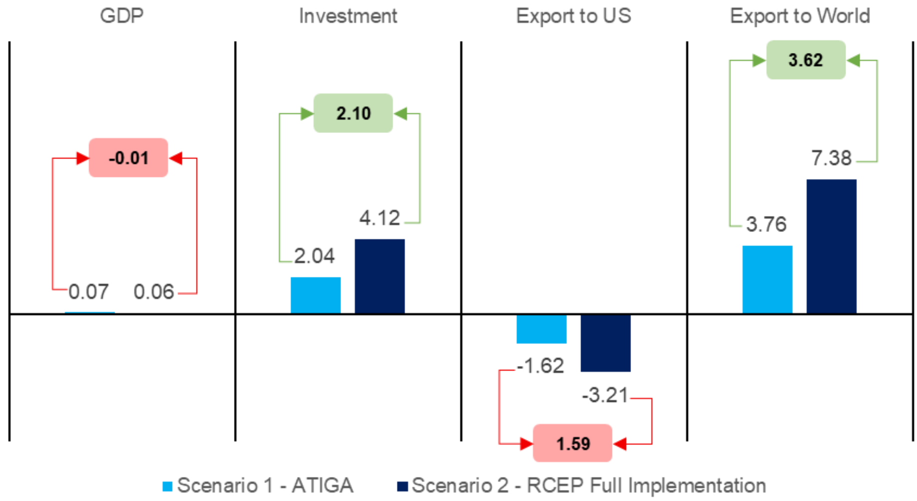
Figure 9. Simulation result on the impact of reciprocal tariffs



Source: ERIA (2025)

In the second scenario, the response is to implement ATIGA and reduce non-tariff measures by 50%, and to implement RCEP with a 50% reduction in non-tariff measures on intra-RCEP trade. This leads to a larger impact on investment and a smaller decline in US exports, which is more than offset by increased exports to the rest of the world, including ASEAN and other RCEP countries.

Figure 10. Simulation result on reducing NTMs restrictiveness by 50 per cent



Source: ERIA (2025)

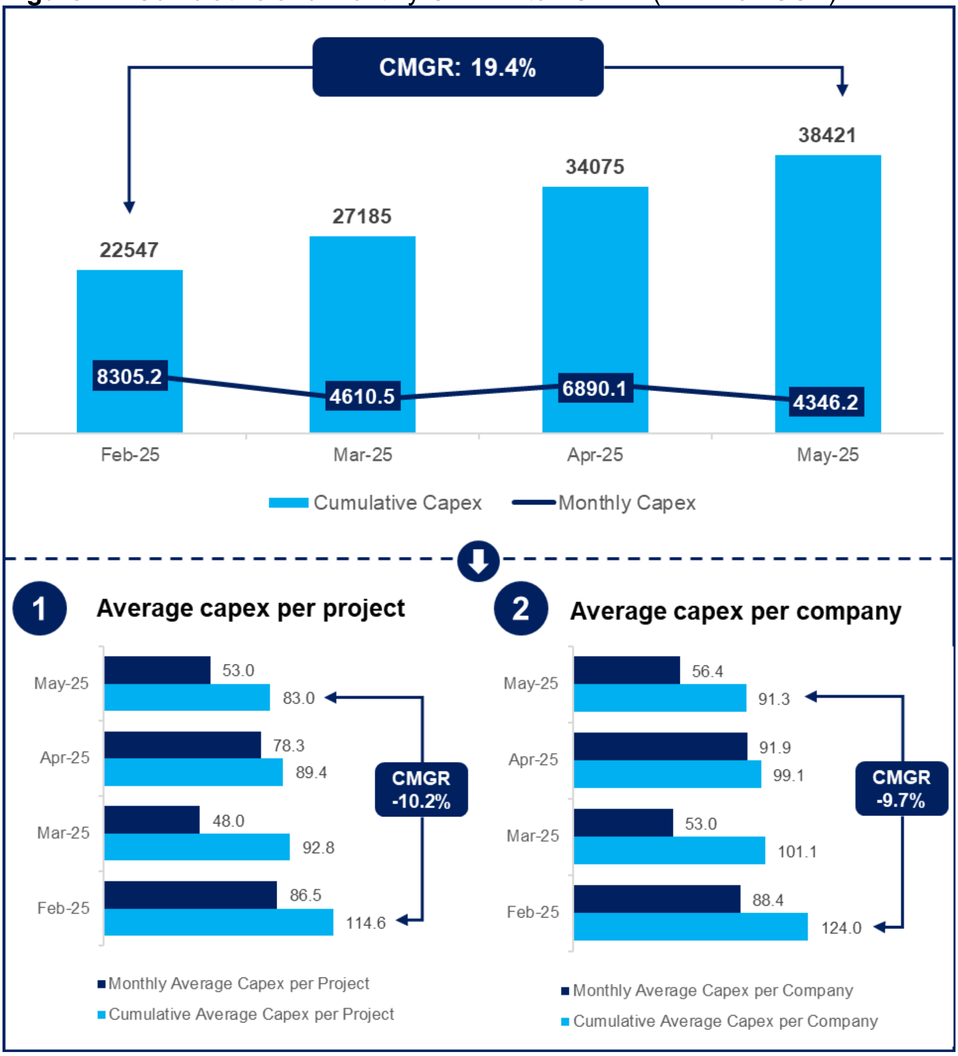
Figure 10 show that ASEAN must come together and get its house in order. The simulations show that fragmented responses magnify losses, while coordinated regional action mitigates risks and delivers tangible benefits. Advancing the full commitments under RCEP, accelerating ATIGA reforms, and reducing the burden of NTMs are not optional; they are necessary steps if ASEAN is to preserve economic resilience in an era of great power rivalry and systemic uncertainty. The choice is between drifting with global fragmentation and suffering the costs of zero-sum competition, or deepening integration to sustain prosperity and security.

ASEAN investment resilience and supply chain opportunity

ASEAN continues to attract strong foreign direct investment despite weaker global flows. In 2024, FDI into ASEAN reached USD 226 billion, growing by 8 per cent compared to other developing regions that faced a decline of 11 per cent. Investment remains concentrated in textiles, automotive, semiconductors and the digital economy. Manufacturing and supply chain-intensive industries dominate, with electronics and electrical equipment the largest sector. ASEAN now accounts for 15 per cent of global FDI flows, with much of it in new projects (ASEAN Secretariat and UNCTAD, 2025).

Data from fDi Markets as shown in Figure 11, a database maintained by the Financial Times that tracks greenfield investment projects worldwide, show that between February and May 2025, the number of announced projects in ASEAN more than doubled from 197 to 361. The database compiles information from company announcements, media releases, and official filings to capture new cross-border investments that create fresh production capacity, rather than mergers or acquisitions.

Figure 11. Cumulative and monthly CAPEX to ASEAN (in million USD)



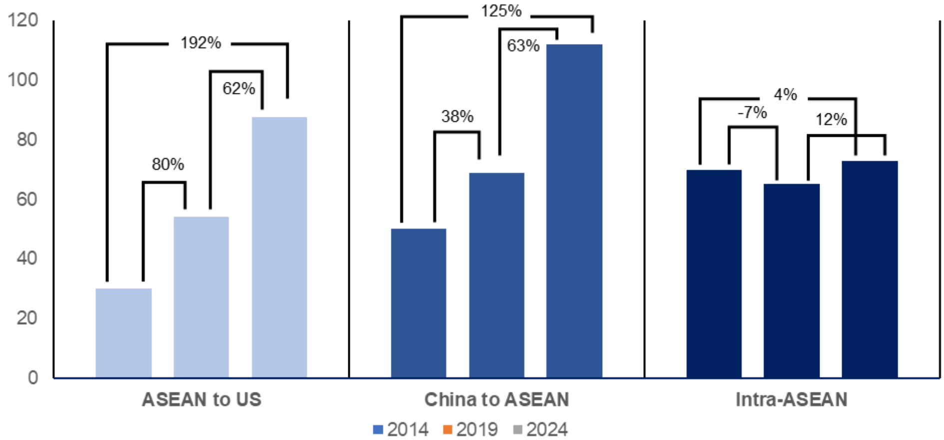
Source: fDI Markets, ERIA (2025)

Capital expenditure rose from USD 22.9 billion to USD 38.4 billion, while the number of investing firms also increased. Average project size fell, reflecting a shift towards smaller and more flexible investments. Firms describe this strategy as “hedged expansion”: securing a foothold in ASEAN supply chains without committing to large sunk costs amid policy uncertainty. The United States remains ASEAN’s largest investor with USD 7.7 billion across 64 projects, followed by China with USD 4.9 billion across 39 projects. Viet Nam and Malaysia are the top destinations, consistent with their roles in electronics and semiconductor supply chains. This confirms ASEAN’s centrality in global production networks despite political debates about reshoring.

Private sector perspectives echo this trend, highlighting continued investment into ASEAN and adaptive supply chain strategies. ERIA (2025) points to ASEAN's potential to capture market share from China. Of the USD 424 billion in Chinese exports to the United States hit by tariffs, ASEAN could feasibly substitute USD 258 billion across 1,632 product lines, particularly in electronics, automotive parts and consumer goods. Current ASEAN exports in these categories total USD 119 billion, leaving scope for an additional USD 139 billion if production capacity expands. This substitution potential positions ASEAN as both a beneficiary of trade diversion and a strategic partner for supply chain resilience.

UN Comtrade data show ASEAN's share of US imports in parts and components rising from 12 to 15 per cent between 2014 and 2023. Over the same period, China's share of ASEAN imports rose from 24 to 36 per cent, while intra-ASEAN trade in these inputs grew by only 4 per cent. This highlights ASEAN's dependence on Chinese inputs and its limited regional self-sufficiency. Sectoral trends reinforce this point. ICT products, especially semiconductors, account for over 70 per cent of ASEAN's US-bound component exports. This concentration creates both opportunity and risk, as restrictions on Chinese semiconductors disrupt electronics supply chains.

Figure 12. Growth of PC export to the US and ASEAN region



Source: ERIA (2025)

Beyond ICT, the Growth Gateway-BCG study (2025) identifies automotive, machinery, consumer durables and fashion as sectors highly exposed to tariff shocks. Trade diversion impacts are projected at USD 157 billion in automotive and USD 214 billion in machinery, with significant import cost increases in consumer-oriented sectors. While switching costs and long investment cycles stabilise supply chains in the short term, sector-specific disruptions could still be severe, especially in industries with high employment implications. Expanding production capacity and securing market access are key for ASEAN to absorb future shocks and strengthen its role in global supply chains.

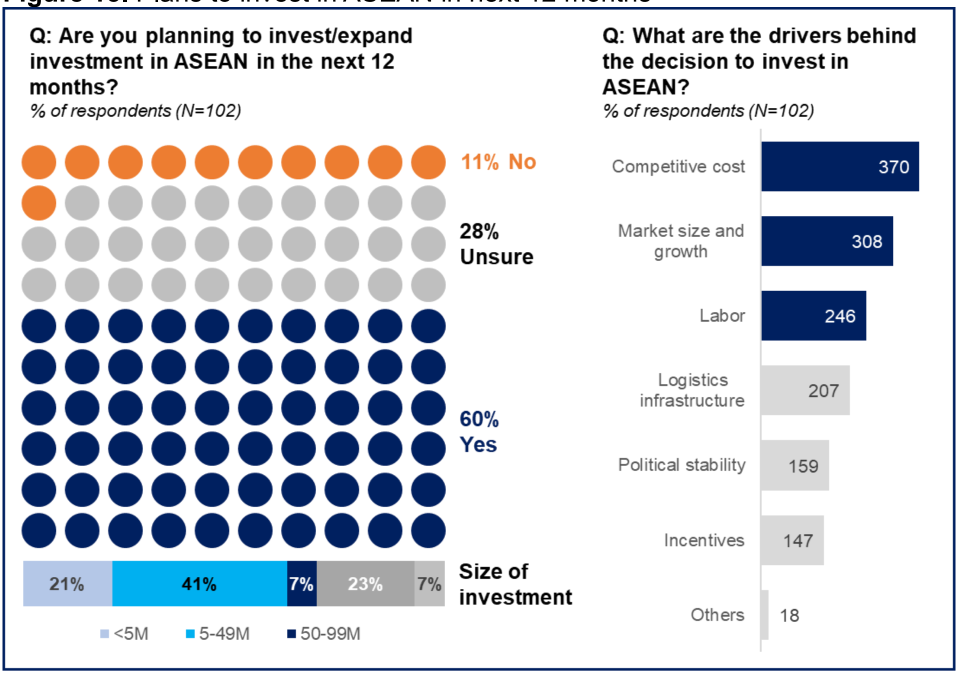
1.3. Private Sector Views

The global reordering of trade and investment is reshaping how the private sector views ASEAN. Analysis points to both opportunities and risks as geoeconomic shifts gather pace. Private sector engagement shows that tariffs are only surface shocks, exposing deeper structural pressures. Firms are not only responding to changes in trade regimes but adjusting to global competition for investment, shifting value chains, and new standards from major partners. They expect ASEAN to follow through on integration commitments and accelerate implementation

ASEAN continues to attract investment

As mentioned, ASEAN remains one of the world's most attractive regions for business despite global uncertainties. A significant number or around 60 per cent of firms plan to expand or increase investment in the next year, attracted by competitive costs, a large and growing market, and a strong labour base.

Figure 13. Plans to invest in ASEAN in next 12 months



Source: Growth Gateway-BCG (2025)

This section draws on insights from recent dialogues: the Growth Gateway-BCG study and executive roundtable (3 September 2025), the ERIA-ASEAN BAC business sector roundtable (11 August 2025), and the EABC-JETRO survey on supply chain resilience presented to the ASEAN Supply Chain Coordinating Council (23 September 2025). Together, these engagements highlight key areas where ASEAN must accelerate reform to match business priorities.

The Growth Gateway-BCG study provided a structured assessment of business challenges and priorities (reference paper). The ERIA-ASEAN BAC dialogue offered direct feedback from industry and business associations. The EABC-JETRO survey captured how ASEAN+3 firms are managing tariff disruptions and the support they expect from governments (supplementary study).

The EU-ASEAN 2025 Survey and the EABC-JETRO 2025 Survey on Supply Chain Resilience confirm that ASEAN remains a prime destination for expansion and production relocation. Its growing middle class, competitive labour pool, and access to major consumer markets underpin this appeal. Investment flows from the United States, Japan, Korea, China, and the United Kingdom remain strong.

Supply chain shifts reinforce this position. The Growth Gateway-BCG study found that nearly two-thirds of firms changed suppliers in the past year, and more than a third plan to expand their supplier footprint in ASEAN. The EABC-JETRO survey similarly reported that over 70 per cent of firms relocating production bases choose ASEAN. Yet reliance on China remains high, with two-thirds of firms expecting no change in their Chinese supplier base. This highlights ASEAN's central role in the global production networks, including but not limited to the "China+1" strategies, where its geography, trade agreements, and workforce give it an edge over India, Mexico, or Eastern Europe. At the same time, economic security concerns make ASEAN exposure a source of risk.

ASEAN's advantages are offset by persistent fragmentation. While intra-regional tariffs have been eliminated, non-tariff barriers, weak regulatory harmonisation, and protectionist sentiment remain major obstacles. Businesses are clear that cost advantages alone are not enough.

ASEAN's long-term competitiveness depends on higher productivity, stronger capabilities, and compliance with global standards to position itself as the hub of choice for resilient supply chains.

Key challenges persist

Engagement with the private sector shows consistent patterns despite differences in firm size, sector, and exposure. Companies are adapting supply chains to cope with fragmentation, absorbing cost shocks from global overcapacity and industrial surges, and rethinking competitiveness as blocs reshape market access and standards.

Businesses stressed that tariffs are only a surface symptom. The deeper challenges lie in structural barriers:

- **Rules of origin (RoO) that fail to reflect sector realities.**
- **Non-tariff barriers that complicate and raise the costs of intra-ASEAN trade.**
- **Value chain competition between AMS, rather than cooperation.**

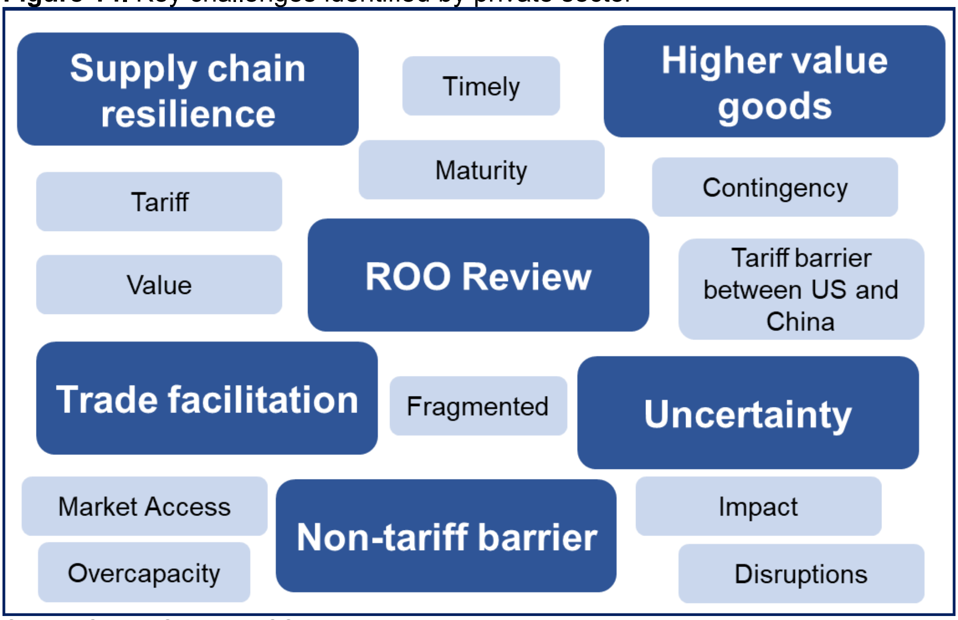
Firms warned that ASEAN risks being locked into low-margin activities unless it moves beyond assembly into higher-value segments but doing so require rolling out difficult reforms. Over 80 per cent of respondents emphasised the need for ASEAN-wide action on resilience: in market diversification, regional demand growth, and trade facilitation. Fewer than 20 per cent prioritised fiscal support, underlining that businesses want a seamless, integrated environment, not short-term subsidies (Growth Gateway-BCG, 2025). As one fashion executive put it: “Trade policies within ASEAN need to be more seamless to navigate.”

Business leaders also noted that ASEAN does not lack plans, it lacks delivery. As one participant bluntly put it: “ASEAN doesn’t need new ideas and initiatives; we need to get to implementation.” The clear message from business is that cost advantage alone is not enough. ASEAN’s future competitiveness will rest on productivity, capability, and compliance with global standards.

What businesses want from ASEAN

If ASEAN listens to its private sector, the message is consistent, and it points to two clear priorities. First, more flexible rules of origin and coordinated sectoral policies, so ASEAN’s FTAs and industrial initiatives deliver real value in strategic sectors such as semiconductors, EVs, and critical minerals. Second, a more predictable business environment: freer movement of skills, streamlined cross-border measures and domestic regulations, and visible implementation of commitments already signed: from RCEP and other FTAs, the ASEAN Single Window (ASW), to mutual recognition agreements (MRAs). Businesses stress that credible reforms at home, anchored by ASEAN frameworks, are worth more than aspirational new initiatives.

Figure 14. Key challenges identified by private sector



Source: Growth Gateway-BCG (2025)

Synthesising surveys, interviews, and roundtable dialogue, six structural priorities emerge:

1. **Trade facilitation:** streamline RoO, expand utilisation of ASEAN Single Window, reduce and digitise trade documentation, and tackle non-tariff barriers.
2. **Value chain upgrading:** move into higher-value segments, deepen regional supply chains starting with the strategic sectors, and strengthen resilience initiatives.
3. **Skills and talent mobility:** enable freer movement of workers and harmonise qualifications, while pushing for continued upskilling and reskilling.
4. **Domestic deregulation:** cut red tape and align standards across AMS.
5. **Infrastructure and logistics**: expand reliable, efficient connectivity.
6. **Sustainable competitiveness:** secure renewable energy and integrate sustainability into supply chains.

Private sector representatives consistently identified restrictive RoO as a major obstacle. In semiconductors, for example, regional value content thresholds of 35-40 per cent under ASEAN's FTAs are difficult to meet, as most value is embodied in wafers imported from outside the region. Revisiting these provisions is essential in the context of FTA upgrades and reviews. This requires close consultation with industry to understand sectoral realities and design workable RoO.

Box 1: Building an ASEAN Semiconductor Hub

ASEAN lags behind global leaders but has built strengths in assembly, testing, and packaging (ATP). Malaysia, Thailand, Viet Nam, and the Philippines dominate ATP, Singapore has advanced into wafer fabrication and design, and Indonesia is seeking entry. This uneven base offers scope for upgrading and specialisation.

A regional hub requires stronger links with supporting industries, tools, chemicals, gases, and materials, and reform of ASEAN+1 rules of origin, which exceed current ATP capacity. Predictable access to inputs, investment facilitation, and expanded production are also essential.

Uncertainty over possible US Section 232 tariffs make it more urgent for ASEAN to act as a credible, coordinated hub. Priorities are skilled labour pipelines, cross-border skills mobility, and stronger intellectual property and standards regimes.

The forthcoming ASEAN Framework on Integrated Semiconductor Supply Chains (AFISS) will be a test. It has to deliver concrete actions, clear responsibilities, and genuine private sector engagement.

ERIA (2025) has proposed a four-pronged approach for semiconductors: infrastructure, human capital, policy harmonisation, and international partnerships. What matters is not new frameworks but effective implementation with sustained business engagement.

Businesses also call for coordinated, supply-chain-oriented sectoral development. This includes adapting RoO to sectoral needs, facilitating skills mobility, strengthening investment promotion and supplier base development, and encouraging industrial complementation across AMS. Priority sectors include semiconductors, EVs, critical minerals, and labour-intensive industries such as textiles and footwear. ASEAN declarations on EVs and semiconductors remain under-implemented, despite exposure to global tariffs and US Section 232 measures.

Labour mobility remains both critical and sensitive. Border disruptions highlight the vulnerability of regional production networks dependent on cross-border skills. Existing ASEAN agreements on natural persons and Mutual Recognition Arrangements (MRAs) are under-utilised and poorly promoted. Practical steps are needed, such as an APEC-style travel card or piloting the ASEAN-BAC's proposed ASEAN Business Entity (ABE) to ease intra-corporate movement. Businesses stress that policy certainty and administrative simplicity matter more than incentives. A credible scheme would send a strong positive signal.

Domestic deregulation is another urgent priority. Complex licensing, uneven enforcement, and unpredictable rules raise costs and erode competitiveness. Non-tariff barriers, warehouse restrictions, IP enforcement gaps, and local content rules were all raised as pressing concerns. Several AMS have announced competitiveness reforms, but businesses remain unclear on timelines and scope. ASEAN can help anchor domestic reforms in a regional framework, building coherence and investor confidence.

Box 2: Trade Facilitation for Labour-Intensive Industries

Labour-intensive sectors such as textiles, apparel, footwear, and furniture remain central to exports and employment in ASEAN's less developed states. They support millions of livelihoods and anchor industrial activity. Regional cooperation should ensure that these sectors receive targeted support and capacity-building to prevent widening development gaps and reinforce inclusive integration.

Joining Singapore and Viet Nam, Indonesia has now concluded a Comprehensive Economic Partnership Agreement (CEPA) with the EU, while Malaysia, Thailand, and the Philippines are also advancing trade negotiations.

These initiatives open new opportunities but also increase pressure on ASEAN to strengthen trade facilitation and domestic regulatory reform to keep labour-intensive industries competitive. Streamlined customs procedures, transparent non-tariff rules, and simplified rules of origin would lower costs for SMEs, while reforms in licensing, logistics, and labour markets would raise productivity and attract investment.

Compliance with sustainability and ESG standards has become a condition for access to EU and other premium markets. Regional cooperation on shared standards, SME capacity-building, and sustainable investment promotion would help firms adapt. More advanced ASEAN members can focus on design, branding, and logistics, while others expand production capacity, creating complementarity across the region.

Beyond low-cost competition, ASEAN can leverage its cultural and design assets in premium markets such as sustainable fashion, batik and silk, formal attire, and contemporary Muslim fashion. Coordinated regional branding would enhance value capture and raise ASEAN's global profile.

Supporting labour-intensive industries through trade facilitation and deregulation would safeguard livelihoods, balance the regional push into advanced sectors, and reinforce the inclusiveness of ASEAN integration.

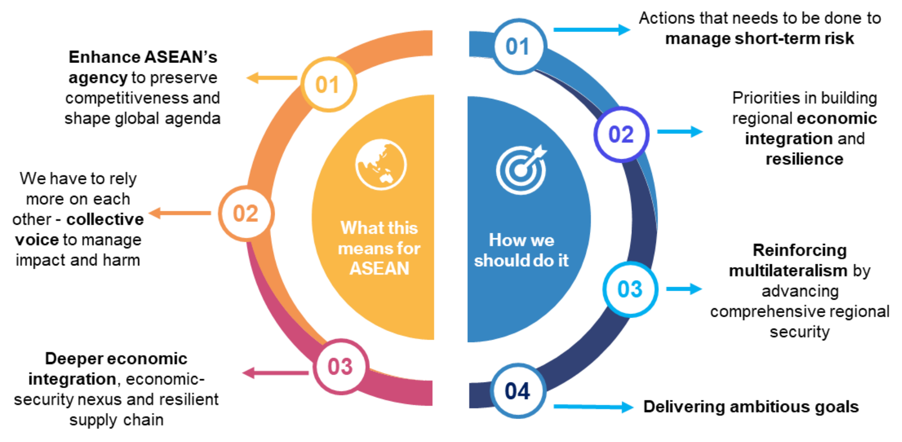
The strongest message is that ASEAN should deliver on existing commitments. Too often, monitoring ends at endorsement or adoption, with little follow-through. Sectoral bodies lack reporting frameworks, and outreach to firms is weak. Agreements such as RCEP, Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP), the ASW, and MRAs are under-used because they are poorly socialised. ASEAN, as convener, must strengthen communication and work closely with business associations to ensure firms can access and use the tools available.

Beyond reforms, two enabling conditions matter most. **First, focus on implementation over new ideas.** Firms are clear that ASEAN does not need new ideas but delivery. **Second, improve socialisation of existing tools so that agreements already in force generate tangible benefits.** Companies remain optimistic about ASEAN's potential, especially in sectors undergoing restructuring. The challenge for ASEAN and AMS is to preserve this confidence and convert interest into investment and production capacity.

Part 2: ASEAN Response and Action on Recalibration and New Ideas

This time ASEAN is facing different external and domestic uncertainties, challenges and opportunities. The impact on growth, trade, investment, jobs and inequality can be severe, especially if actions are fragmented and uncoordinated. Yet ASEAN remains attractive for investment, provided regional and domestic reforms are implemented. What does it mean for ASEAN?

Figure 15. Why ASEAN must act and the path forward



Source: AGTF Experts' Views (2025)

ASEAN needs to respond differently and recalibrate its strategy to strengthen group agency and coordination across all pillars. The task is not simply to pursue more trade, but the right kind of trade: trade that supports competitiveness and resilience, generates quality jobs and distributes benefits fairly. These objectives require a supportive regional and global environment. ASEAN must define the kind of regionalism and shape the multilateralism it supports, the rules it will defend, the reforms it will propose, rather than passively accept unilateralism.

ASEAN countries need to rely more on each other and strengthen its collective voice to manage risks and minimise harm. This requires deeper economic integration, closer links between economic and security policy, and stronger, more resilient supply chains. By acting together and having a collective voice, ASEAN can reinforce its position to manage impact and harm.

Reinvigorating ASEAN's market is central through deeper economic integration. Competitiveness must be strengthened to guard against shocks and boost resilience, while the growing middle class can drive domestic-led growth and reduce reliance on uncertain global markets. This requires greater investment in each other, moving beyond business-as-usual, breaking silos and ensuring effective implementation of economic integration. Ensuring inclusive rule-making, united high-level commitment, and the mainstreaming of consideration of geoeconomics across ASEAN tracks and in ASEAN member states are also essential.

How should we do it? ASEAN must act on four fronts. First, take immediate steps to manage short-term risks and shield the region from external shocks. Second, set clear priorities to advance regional economic integration and strengthen long-term resilience. Third, reinforce multilateralism and build stronger institutions that anchor ASEAN's agency in the global system. Fourth, pursue ambitious goals that can alter the region's trajectory, some bold ideas include a common external tariff to a coherent industrial policy and a new mindset on implementation. These actions provide a disciplined path from vision to results while keeping space for bold moves. The forthcoming section looks at each action in turn.

2.1. Managing Short-Terms Risks

What are the risks

In the short term, ASEAN must prioritise addressing the direct consequences of US tariff actions. While bilateral negotiations are ongoing, it is crucial for ASEAN to coordinate regionally, as this can provide meaningful input to such negotiations and mitigate the impact on the region. In doing so, ASEAN can ensure that regionally coordinated win-win approaches or positions and messages are considered in bilateral discussions. Leveraging ASEAN-led platforms and frameworks will enable ASEAN to project its unified position, safeguard its resilience and reinforce ASEAN centrality.

As discussions continue, RoO and transshipment stand out as areas where AMS may benefit most from regional coordination, the other is on managing trade diversion risks. A key priority is to consider the development of a coordinated approach on RoO and transshipment, both to facilitate engagement with the United States to address shared concerns and to prevent the disruption or bifurcation of regional supply chains.

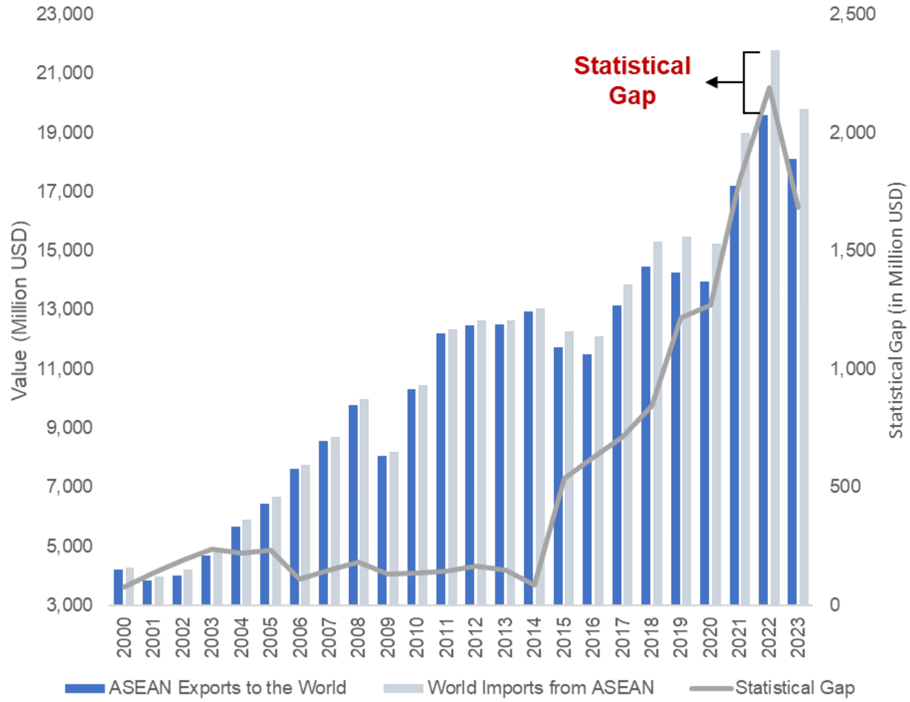
The United States has made illicit transshipment and origin fraud a key focus of its tariff enforcement, centred on how substantial transformation determines origin status. The introduction of a 40 per cent additional “transshipment tariffs” on goods determined by the US to have evaded applicable reciprocal tariffs highlights the costs of failing to manage these issues effectively. There are also issues around the sectoral tariffs and constraints that can emerge in defining economic security.

There are also risks from the spillover effects on certain countries and sectors, and the increase of trade diversion as exports originally destined for the US, are now redirected to other markets. The private sector clearly identified the risk they face from trade diversion and at the country level, governments are also alerted to this risk given the surge of imports that are already being experienced.

Managing illegal transshipment and rules of origin

No country, including in ASEAN, wants illegal transshipment, as it increases credibility risks and the risks of costly penalties. One estimate of illegal transshipment is the statistical discrepancy between ASEAN exports to the world and its imports from the world. While there appears to be a growing statistical gap since 2015, this does not necessarily indicate an increase in illegal transshipment. The gap may also reflect data reporting differences, time lags, or variations in trade classification and valuation across countries.

Figure 16. Indicative Transshipment gap between ASEAN exports and world imports



Source: UN Comtrade (2024)

This highlights the fact that illegal transshipment is equally an important issue for ASEAN as it is for the US. Rerouting, and origin fraud pose a serious threat to AMS and should not be left unchecked, as these practices can undermine the integrity of ASEAN's own trade agreements and weaken the foundation of its economic integration. They expose AMS to revenue losses, erode the competitiveness of legitimate exporters, and create loopholes that damage trust in ASEAN's certification systems. Beyond the economic costs, persistent origin fraud harms ASEAN's credibility as a reliable trading partner, threatening its long-term position in global value chains and its ability to attract sustained investment.

ASEAN therefore has a direct interest in strengthening its enforcement capacity to monitor and police illicit transshipment and the implementation of RoO. The region has already accumulated decades of experience in this area through the ASEAN Trade in Goods Agreement (ATIGA), including the use of regional value content threshold, substantial transformation and product-specific rules, as well as on enforcement cooperation. This foundation allows ASEAN to design credible, transparent, and practical measures to deter fraud while safeguarding legitimate trade.

ASEAN could consider establishing common guidelines on and approach to non-preferential RoO and sharing experiences and best practices on enforcement could form as the basis of a more coordinated regional approach. Stronger national enforcement for fraudulent practices, coupled with shared regional monitoring, joint efforts and capacity-building programs, to strengthen risk management systems and promote the adoption of electronic Certificates of Origin, would reinforce compliance. Such steps would not only protect AMS from immediate trade risks but also demonstrate ASEAN's commitment to rules-based trade.

For ASEAN, alignment on enforcement standards and clarity on definitions is critical to avoid punitive tariffs and to prevent disruption to integrated regional supply chains. Anchoring ASEAN's response in international frameworks such as the WTO and World Customs Organization (WCO) will be key to ensuring credibility with partners while maintaining coherence within the region.

Governments are taking steps to address these challenges. In the short term, coordination and cooperation in ASEAN are essential to avert worst-case scenarios both for individual AMS and for ASEAN as a whole. Such efforts are necessary to safeguard regional stability and growth, and to ensure the continued relevance and effectiveness of ASEAN centrality and the regional integration agenda.

The remaining sections contain key recommendations for ASEAN's immediate action to address the direct impacts of tariff escalation and the uncertainty surrounding the global economy and trade more broadly. ASEAN can benefit from coordinating its relationship with the United States, while also deepening cooperation both internally and with other partners to manage spillover effects, prevent broader contagion, as well as uphold multilateralism.

Agreeing on general principles to reaffirm ASEAN unity and centrality. The geoeconomic dynamics are likely to stay and need not necessarily be limited to the United States. AMS can reaffirm their commitment to ASEAN centrality and unity by agreeing to observe basic principles. This may include ensuring that any deals entered by an ASEAN Member State with a third party not to be i) intentionally disadvantageous to fellow AMS, ii) inconsistent with ASEAN purposes and commitments and iii) at the expense of the open, rules-based multilateralism that ASEAN has consistently upheld.

Coordinating on rules of origin and transshipment. On RoO and transshipment, US trade policy under the second Trump administration has placed great emphasis on ensuring that goods entering the United States are not illegally benefitting from preferential tariff treatment by claiming different origin status. US executive orders have referred to this issue as "transshipment". Following the 31 July Executive Order *Further Modifying the Reciprocal Tariff Rates*, transshipped goods are subject to a 40 per cent *ad valorem* duty applied in addition to all other applicable tariffs.

A key challenge lies in the different understandings of the term "transshipment" between ASEAN, which is aligned with the WCO, and the United States. For the United States, the term "transshipment" is viewed through the lens of substantial transformation, a criterion that must be met for goods to qualify for applicable tariff treatment. Unless processing in a third country changes a product's name, character or use, origin is not conferred and the higher 40 per cent additional anti evasion duty applies (see Box 3). This approach diverges from ASEAN's logistics-oriented understanding of transshipment, which is consistent with the WCO's definition, under which goods may pass through third countries' customs without their origin status changing, provided they undergo no processing beyond what is necessary to preserve their condition. This definition aims to facilitate legitimate transit in integrated supply chains without changing the origin status hence tariff entitlement of the goods. Subsequent legal inquiry centres on whether the goods were altered, not whether a transformation sufficient to confer origin occurred. When goods undergo only minimal handling or less than substantial transformation, origin continuity is preserved. To the extent that the US and ASEAN agree in principle, the challenge is more on how to determine substantial transformation, who should determine that, and whether there will be a process for consultation and appeal.

Box 3: US Customs and Border Protection's (CBP) practice on 'substantial transformation' applied to non-preferential schemes (*goods from nine AMS, excluding Singapore due to its FTA with the United States, are imported to the United States under non-preferential schemes*):

In the compliance document 'US Rules of Origin' (https://www.cbp.gov/sites/default/files/assets/documents/2020-Feb/ICP-US-Rules-of-Origin-2014-Final.pdf), CBP highlighted that, in the majority of the *non-preferential schemes*, the *substantial transformation criterion is applied on a case-by-case basis and it is based on a change in name/character/use method*. That is, an article that consists in whole or in part of materials from more than one country is a product of the country in which it has been substantially transformed into a new and different article of commerce with a name, character and use distinct from that of the article or articles from which it was so transformed.

In practice, CBP examines the following:

Factor	Explanation
Tariff classification (HTS code)	Did the product's tariff classification change at the 4-digit or 6-digit levels?
End use	Has the use or functionality of the product changed?
Commercial identity	Is it sold as a different type of good than before?
Complexity of processing	Is the work done technical, labor-intensive, or just minor steps?

The divergence between ASEAN and the United States' definitions of transshipment creates implementation risks for ASEAN. If AMS' goods are deemed to violate the US' transshipment condition, an additional 40 per cent *ad valorem* duty will be applied. Differences in national policies and inconsistent measures in response to US trade rules will fragment the regional response, creating legal and procedural confusion for businesses. This undermines the goal of economic integration and reduces confidence in ASEAN's trade governance.

A more coordinated approach is necessary to clarify CBP's understanding and enforcement of transshipment for ASEAN's issuing authorities. This may include advocating for common standards for substantial transformation in the immediate term and, ideally, seeking recognition of ASEAN-wide cumulation rules i.e. regional cumulation among AMS, which are critical for integrated regional supply chains and aligned with ASEAN's single market and production base objective.

A transparent and more participatory enforcement mechanism for determining and appealing rulings is also key to easing the burden placed on US importers and, by extension, ASEAN exporters. Another benefit of a coordinated approach is it ensures individual LDCs within ASEAN such as Lao PDR and Myanmar are not left behind in bilateral negotiations. This is currently the case, as evidenced by their high tariff rates of 40 per cent.

Some AMS have unilaterally taken measures to address the United States' concerns on transshipments (see Box 4). This presents ASEAN with a valuable opportunity to draw on the experiences of AMS and best practices while also opening avenues for potential cooperation in the future.

Box 4: AMS' measures to address the United States' concerns on "transshipment"

- In May 2025, Thailand announced that it would take measures to strengthen inspections for "transshipments";
- In May 2025, Malaysia announced that non-preferential certificates of origin for shipments to the United States would only be issued by the Ministry of Investment, Trade and Industry;
- In June 2025, Singapore issued *Circular No. 06/2025*, reminding all traders and declaring agents of the importance of accurately declaring the "Country/Region of Origin" of goods.
- In July, Viet Nam announced that it will issue a new decree that will "prescribe additional levels of sanctions for fraud of origin" and introduce stricter measures to prevent fraud.

Initiatives by AMS to address these concerns are valuable in tackling the broader, costly challenge of customs fraud. At the same time, ASEAN should remain aware of the potential scope of the United States' proposals and mindful of the limited avenues for appeal. The 31 July Executive Order specifies that the CBP shall not allow, consistent with applicable law, for mitigation or remission of the penalties assessed on imports found to be transshipped to evade applicable duties. Any joint ASEAN approach should recognise the risks involved and work to define clear parameters. Measures that would require discriminatorily reducing the proportion of originating content from any particular country would mean fragmenting supply chains — an outcome that would be especially disruptive given ASEAN's deep integration with wider East Asian production networks.

ASEAN may consider taking the following actions:

1. Task a relevant ASEAN technical body, such as a technical task force under the ASEAN Trade Facilitation Joint Consultative Committee (ATF-JCC) or the ASEAN Committee on the Implementation of the ASEAN

Trade in Goods Agreement (CCA), to urgently discuss and develop a coordinated ASEAN approach to dealing with the United States on transshipment, both to protect the integrity of ASEAN's origin certification system and to ensure fairer treatment for AMS exports to the United States. The primary objectives of deliberation under this body would be to:

   a. Discuss and develop a common approach to the transshipment issue that can be used by each ASEAN Member State in their bilateral negotiations.
   b. Facilitate the sharing of AMS' experiences and best practices in working with and meeting the requirements of CBP.
   c. Individual AMS can then use this as a reference in discussions with the US.

2. Explore the potential of joint discussions by ASEAN and US, possibly under SEOM-AUSTR consultation or other appropriate arrangement to discuss the US and ASEAN's concerns (e.g. explore possibility for a regional definition or approach to "substantial transformation", that is not inconsistent with ASEAN's objectives as a single market and production base, and accounts for current industrial realities. This would provide clarity and consistency for both ASEAN exporters and US importers. Other areas for cooperation could include establishing a regional RoO monitoring framework to track and manage transshipment risks and creating a structured consultation channel between ASEAN or AMS and CBP. Finally, ASEAN could pursue discussion of recognising ASEAN's full cumulation mechanism and origin verification processes to facilitate legitimate ASEAN origin claims and support integrated supply chains within the region.

Managing spillover effects and preventing contagion

Beyond the immediate focus on RoO and transshipment, ASEAN must also confront a wider set of spillover effects arising from the current trade uncertainty. These include the unequal burden that trade disruption places on ASEAN's least developed AMS and on labour-intensive sectors; the need for a coherent regional approach to issues such as digital trade and economic security, which may feature in bilateral negotiations; and the importance of preventing contagion by multilateralising concessions and coordinating the use of trade remedies. While market access discussions are bilateral undertakings, ASEAN has a collective incentive to ensure continued compliance with the WTO rules and affirm respect for multilateral principles, particularly non-discrimination.

Develop and convey a collective message on mutually beneficial, inclusive, partnership for regional resilience. Specifically, ASEAN should develop a joint message on the disproportionate impact of the current tariff uncertainties on the least developed Member States as well as on labour-intensive sectors with little or no security implications such as textiles and apparel, footwear and furniture, but where tariff hikes will have dire socioeconomic development and even stability implications.

Regionalise or plurilateralise concessions. More broadly, ASEAN should work together to manage the spillover effects and mitigate the contagion of trade restrictions. For a start, ASEAN can work together to consider the regionalisation of any concessions made bilaterally by AMS in the trade deals. At a minimum, they could be extended to other AMS through relevant ASEAN frameworks and, where appropriate and required by applicable rules, to other partners. In the longer term, such effort may also serve as a step towards advancing reform at the multilateral level.

Additionally, regarding rules and regulation-related commitments, multilateralising these may also be administratively efficient and practicable than applying them only to selected country. Such action would also be a significant affirmation of multilateral trade principles, particularly non-discrimination, and would deliver economic benefits to the region.

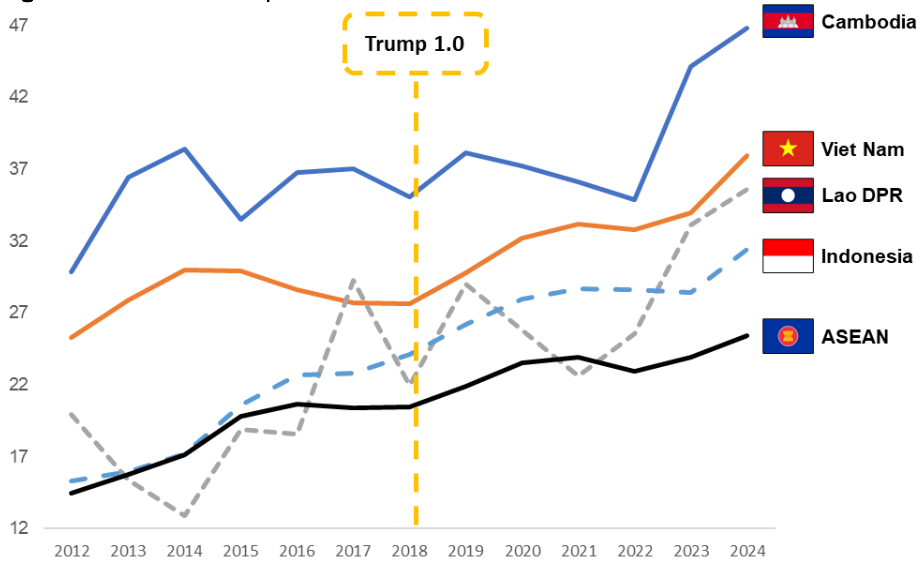
Ensure coherence of understanding and trajectory in emerging areas and aligning with regional agenda. The deals under discussion between some AMS and the United States will address digital trade and economic security. These are additional areas where ASEAN coordination could add value. ASEAN is currently negotiating the ASEAN Digital Economy Framework Agreement (DEFA), which has been substantially concluded this year and targeted for conclusion and signing in 2026. Ensuring consistency between the commitments under the ASEAN DEFA and bilateral agreements with the United States in the relevant areas will be crucial. In absence of further details, ASEAN should also seek to develop a common perspective on economic security, identifying parameters that are acceptable and beneficial to regional interests and in anticipation of broadening discussions on economic security with external partners through ASEAN-led platforms and beyond.

Managing trade diversion risks

Beyond the United States, ASEAN should coordinate in managing trade diversion risks both internally and from other partners. It will be important to assess whether existing trade remedies arrangements, under the WTO or relevant FTAs, are sufficient in addressing the impact of trade diversion on the region or whether further strengthening is required given the urgency of the situation.

For example, one of the largest trade diversion risks is likely to be, but not limited to, from China. ASEAN should assess the adequacy of the trade remedies commitment in existing and recently upgraded agreements and explore the need for supplementing instruments or understanding and dialogue to address import surges during periods of emergency. A forum to discuss issues around subsidies and structural imbalances may also be considered and ASEAN or AMS can also work with other partners sharing this concern. This should be flagged with all partner economies both bilaterally as well as in the appropriate regional forums.

Figure 17. Share of import from China to ASEAN and selected AMS



Source: ASEANstats (2025)

Since AMS often export similar goods, coordination is also needed internally to avoid a spiral of competing trade remedies. Depending on the scope of the upgraded ATIGA, ASEAN may consider developing guidelines for the more disciplined use of trade remedies among AMS, ensuring alignment with the WTO and commitments in existing FTAs, or establishing a regional consultative mechanism to discuss and coordinate trade remedy measures.

RCEP contains a chapter dedicated to trade remedies that provides for safeguards during a defined transition period, including a *de minimis* threshold, as well as notice requirements and consultation rights for exporting parties in cases of anti-dumping or countervailing duties. Establishing a regional consultative mechanism would naturally complement these provisions by promoting transparency and reducing the risk of over-escalation. RCEP's institutional framework is well-suited to this role, given that it includes many of East Asia's largest exporters. In today's climate of uncertainty, transparency and communication on trade remedies, both within ASEAN and across the broader region, should serve as guiding objectives.

Finally, evidence-based policy making requires good data. ASEAN can coordinate better to monitor trade diversion risks utilising trade data to track shifts in trade flows resulting from evolving global policies. This would help identify potential disruptions or unintended diversions that could disadvantage certain Member States. At the very least ASEAN can start with the sharing of experiences, learning best practices and targeted capacity building for relevant AMS to strengthen their analytical capacity, policy coordination and response, and risk management capabilities.

2.2. Priorities in Building Regional Economic Integration and Resilience

With the global economic and trade environment expected to remain uncertain, and geopolitical and geoeconomic pressures continuing to intensify, ASEAN must refocus on strengthening regional demand and resilience. This is because amid global slowdowns and turbulence, the regional economy can offer a buffer to external shocks. But for this to happen, ASEAN needs to put regional commitments into actions. The issues below highlight key priorities identified by both private sector stakeholders and experts to unlock the potential of the region. The emphasis is not on restating existing commitments but on ways to elevate them, strengthen implementation, monitoring and where necessary, introduce new or complementary initiatives.

Amid escalating geoeconomic rivalry and the weakening of multilateral institutions, ASEAN's credibility as a convener depends on its ability to sustain open, inclusive, and coherent trade arrangements. Its web of Plus One FTAs and regional initiatives provides an institutional base for advancing economic integration at a time when there is little progress in WTO. The task now is to strengthen the existing priorities and frameworks, ensure they deliver tangible benefits, and position them as platforms that connect rather than fragment the global trade order. Of particular interest is the RCEP, an ASEAN-led world's largest trade agreement with great potential to expand and diversify supply chains.

ASEAN internal strategy for regional demand and global value chains

Trade in Goods: Advancing trade and market integration through an ASEAN Trade in Goods Agreement (ATIGA) upgrade, streamlined non-tariff measures (NTMs), and the ASEAN Single Window (ASW)

ATIGA upgrade. ASEAN must ensure that the recently signed upgraded ATIGA is swiftly ratified and enters into force. While ambitious, early ratification would send a strong signal of credibility to businesses and partners. The upgraded agreement is expected to include new provisions on the circular economy, trade and the environment, food security and supply chain connectivity, making ATIGA fit for the future. These, along with improvements to existing provisions on rules of origin, transparency, and MSME support, must be clearly communicated. Targeted outreach is essential, including identifying early "champion" users to encourage wider adoption. Past ASEAN FTAs show that low utilisation often stems from limited awareness or perceived complexity.

Streamlining non-tariff measures (NTMs). NTMs remain the biggest barrier to intra-ASEAN trade. As evidenced by the private sector survey, this is not a new issue. The modelling impact shows the positive impact of reducing these barriers and private sector surveys also prioritise this as an important issue to address. ATIGA, and presumably the upgraded ATIGA, has clear provisions relating to NTMs notably around the obligation to keep NTM database updated and to notify fellow AMS on any newly introduced or updated measures.

ASEAN already has frameworks and tools in place, including the 2018 NTM Guidelines and the 2021 NTM Cost-Effectiveness Toolkit although their voluntary nature limits impact. The upgraded ATIGA will also include enhancement of the Alternative Dispute Settlement Mechanism which can provide a more effective means of addressing disputes around non-tariff barriers. More effective enforcement and systematic monitoring are needed, with regular reporting and ensuring a clear follow up process for those members not reporting. As a start, prioritising NTMs in critical sectors and updating ATIGA's NTM database, including by enforcing notification requirements, would improve predictability. Stronger peer pressure, an empowered sub-committee on trade remedies, and greater use of dispute settlement and alternative dispute resolution could help ensure commitments are not merely aspirational. In addition, there would be greater compliance if the guidelines and tools can also become the framework for domestic deregulation and good regulatory practices.

Box 5: Summary of ASEAN Guidelines on Non-Tariff Measures (NTMs)

ASEAN NTM Guidelines aims to address distortive effects from NTMs, while still allowing AMS to pursue legitimate policy objectives. Meanwhile,

The implementation of NTM Guideline is based on the application of its principles which are:

1. ***Necessity and proportionality*** to ensure NTMs aren't more restrictive than necessary in fulfilling their legitimate public policy objective. This is done by conducting an ex-ante regulatory review process to identify NTMs effect to all parties, implementation arrangements, and feasible alternative options.
2. ***Consultations and engagement*** to provide adequate opportunity for relevant stakeholders to give inputs on the proposed draft NTM.
3. ***Transparency*** specifically on the preparation, adoption, and application of NTMs. This can be done by notifying the public, AMS, SEOM, and ASEC in compliance with relevant ATIGA and WTO obligations.
4. ***Non-discrimination and impartiality*** which means NTMs shall be applied to imported products no less favorable than local originating products.
5. ***Periodic review*** to ensure NTMs goal to address the initial policy objectives, ensure relevancy to the public interests being addressed, and minimize trade-distortive effects from NTMs.

ASW implementation. More than two decades after its launch, the ASEAN Single Window (ASW) continues to support trade facilitation by enabling the live exchange of documents such as the ATIGA e-Form D, ASEAN Customs Declaration Documents, and e-Phyto certificates. While the ATIGA e-Form D is now exchanged by all ASEAN member states (AMS), other documents are only shared by a few. ASEAN can make further progress on the ASW by setting clearer targets or work plan, as appropriate, including on the types of documents to be covered, timelines and steps for AMS onboarding, regular reporting to track utilisation and system performance, as well as system upgrading for improved interoperability, including with Dialogue Partners' single window platforms.

The ASW was created to connect the National Single Windows (NSW) of each AMS, with the aim of expediting cargo clearance and reducing the costs of trade. Significant advances have been made, including the region-wide exchange of the ASEAN Customs Declaration Document and the adoption of the amended ATIGA Form D by all AMS. Some countries also exchange e-Phyto Certificates (Indonesia, Thailand, Philippines) and e-Animal Health Certificates for fisheries (Indonesia, Thailand). Broader participation requires clearer targets deadlines to ensure AMS invest in IT systems and coordinate across agencies.

A systematic approach is needed to monitor and publish data on document exchanges through the ASW. Regular reporting will improve transparency, track utilisation, and strengthen accountability.

Dialogue partners, including the United States, China, Japan, Republic of Korea, and Hong Kong, have expressed strong interest in connecting to the ASW. Their participation could enhance supply chain connectivity and reduce trade costs. Expediting partner integration should be a priority but the system design of the ASW has posed a challenge. To this end, it is important that the issue of interoperability and scalability be addressed in the development of the next generation ASW.

Capacity and resource constraints remain major challenges. Mobilising resources, including from partners, will be essential. Clear targets and timelines can guide AMS efforts, while ASEAN must also address legal interoperability, data security, and governance to support the ASW's effective and secure expansion.

Connecting the ASW with partners offers a pathway toward broader regional digital trade integration. To realise this, ASEAN must accelerate implementation, strengthen accountability, and ensure the system is robust, secure, and inclusive.

Trade in Services and Investment: Driving innovation and easing regulatory barriers through the ASEAN Services Facilitation Framework (ASFF) and ASEAN Investment Facilitation Framework (AIFF)

Beyond trade in goods facilitation, ASEAN also already has frameworks in place for services and investment facilitation, though none are legally binding. ASEAN should also advance the implementation of the ASEAN Trade in Services Agreement (ATISA) and start looking at services as a new source of competitiveness including by unlocking the opportunities presented by digitally enabled services.

The region needs a balanced approach that advances liberalisation while ensuring sound regulation. Removing policy barriers that limit competition between domestic and foreign service providers is essential, but this must go hand in hand with efforts to address market distortions, including concerns over privacy, cybersecurity, and emerging monopolies in the digital economy. Openness to international cooperation can support market opening and help address these market failures. The challenge lies in implementation. ASEAN needs the political will to address this starting with the key initiatives.

Box 6: Summary of ASEAN Services Facilitation Framework (ASFF) and ASEAN Investment Facilitation Framework (AIFF)

ASEAN has put in place ASFF and AIFF to create a more favourable and conducive business environment across the region. Both aim to make it easier for firms to operate and invest in ASEAN by improving transparency, streamlining regulations, and promoting good governance.

The implementation of AIFF can be grouped into 5 main areas which are:

1. ***Transparency*** which is done by ensuring information related to investment is made publicly available and easily accessible. Moreover, establishment of a mechanism to answer enquiries should be available.
2. ***Ease of investment process*** which is done by streamlining the administrative procedures and requirements, facilitating temporary entry and stay of investors, adopting a single digital platform, and ensuring the independence of competent authorities.
3. ***Assistance*** in the investment process by providing advisory services; resolving investor complaints and disputes; facilitating temporary entry of businesspersons; and helping investors identify key investment factors such as labour, funding, suppliers, and business matchmaking.
4. ***Consultation*** which is done by encouraging mechanisms for: regular consultations with interested stakeholders and regular evaluation and update of investment laws and regulations.
5. ***Cooperation*** among AMS including exchange of information and capacity building through ASEAN Coordinating Committee on Investment (CCI).

The implementation of ASFF closely mirrors that of AIFF, covering the same five areas. However, ASFF introduces additional elements not addressed under AIFF, including:

1. **Development of Measures**: Provides disciplines for Member States in developing measures related to trade in services, including providing opportunities for the public to comment on proposed measures before entry into force, as well as opportunities for appeal and review of measures.
2. **Business Names**: Allows for foreign service suppliers to use their business names in the territories of the other Member States, without being unduly restricted.
3. **Assessment and Recognition of Qualifications**: Provides disciplines in undertaking assessment of qualifications of service suppliers before supplying their services, as well as encouraging for mutual recognition of professional qualifications in sectors of mutual interest.
4. **Service Sector Development**: Promotes creation of sustainable and innovative ASEAN services economy.

5. To ensure ***streamlining in the administration procedures***, fees taken from the process should be reasonable and transparent. Moreover, ensure business names aren’t unjustifiably restricted.
6. To ***support the mobility and interconnectedness of the service sector*** amongst AMS, identify ways to enhance existing MRAs and explore the possibility of MRAs in new areas.
7. To **create a sustainable and innovative ASEAN service economy**, explore activities to further facilitate trade in services such as conducting a study on global best practices, review/implement existing/new policies that enhance growth in the service sector, identify potential new services, and encourage the development and interlinkages of ASEAN services industries.

Addressing the socio-economic impact of geoeconomic challenges

The impact of geoeconomic challenges often falls disproportionately on small businesses and less-skilled workers. ASEAN can address this through stronger information sharing and coordination.

ASEAN should start by improving the exchange of information, best practices, and experiences on how firms, large and small, are affected by these challenges. The AGTF found that engagement with business and industry representatives, as well as insights from surveys and consultations, was instrumental in refining and prioritising its recommendations. A deeper understanding of business priorities and constraints, including those of MSMEs, and of the policies adopted by AMS and other countries, can help inform national strategies and identify areas for collaboration.

ASEAN should also strengthen cooperation to manage the differentiated impact on workers. This includes identifying opportunities to build stronger social protection systems and to promote workforce upskilling and reskilling, so workers remain competitive. This reinforces the need for better cross-pillar coordination, as labour and social protection currently fall under the ASEAN Socio-Cultural Community pillar.

As trade and investment patterns are increasingly shaped by geopolitical factors, vulnerable workers and communities are often the most affected. ASEAN could respond by enhancing regional cooperation on social safety nets, promoting labour mobility, and ensuring access to upskilling and reskilling programmes across AMS.

Deepening cooperation in specific sectoral industries, while strengthening finance to support infrastructure, innovation and sustainable development goals.

Sectoral Cooperation. ASEAN must focus on practical cooperation in key industries such as semiconductors, critical minerals and electric vehicles, which face both opportunities and strategic economic security concerns. Past industrial cooperation efforts of the 1970s and 1980s failed due to technical and financial unfeasibility while more recent initiatives of Priority Integration Sectors lost momentum once tariff liberalisation was achieved, with only standards and conformance work on selected sectors continuing and the broader behind-the-border reforms left unaddressed.

The recent adoption of the ASEAN Industrial Project Based Initiatives Framework, the ongoing development of ASEAN Global Value Chain Work Plan 2026-30, the upcoming Framework for Integrated Semiconductor Supply Chains, and adoption of the Leaders' Declaration on Developing Regional Electric Vehicle Ecosystem, mark progress.

However, their realisation requires concrete roadmaps grounded in data and analysis, clear KPIs, stronger ownership and implementation by sectoral bodies, and closer engagement with industry stakeholders in planning and rollout. Starting small but comprehensive with high-potential sectors, rather than launching another broad multi-sector plan, would maximise focus and impact to strengthen resilient and secure supply chains. To ensure implementation, they also need to leverage existing efforts and mechanisms. For example, ASEAN can consider expanding the coverage on the MOU on the Implementation of NTMs on Essential Goods to also cover semiconductors, electric vehicles, critical minerals for greater resilience. Agriculture, energy, and critical mineral supply chains could also become important priorities for ASEAN's resilience agenda related to food and energy security.

Finance and Sustainable Development. ASEAN should highlight financial cooperation as a key enabler of resilience and integration. Progress on QR cross-border payments supports financial inclusion and digital trade, while the ASEAN Taxonomy for Sustainable Finance and the Green Bonds Initiative provide tools to mobilise resources for the green transition. Linking these initiatives more closely with sectoral priorities would accelerate ASEAN's sustainability and digital agendas, while positioning finance as a driver of integration rather than a standalone stream of work.

Expanding the digital economy and driving the green transition as key avenues for future growth and ensuring ASEAN is fit for the future.

Digital economy. ASEAN has many initiatives and plans on digital economy, such as the Bandar Seri Begawan Roadmap, Work Plan on the Implementation of ASEAN Agreement on Electronic Commerce, the ASEAN Digital Masterplan 2025 and its successor, to the ongoing ASEAN DEFA negotiations. Despite all these initiatives, the challenge lies in implementation and monitoring. Concluding the ASEAN DEFA remains a priority, but ASEAN should not wait for its completion to advance broader digitalisation, focusing instead on efficiency gains and alignment with UNCITRAL standards. Infrastructure gaps, (e.g. 5G to data centres), and literacy gaps, must also be addressed through public-private partnerships and dialogue partner support, and engagement, while recognising the rising need for clean energy and water sources to power data centres and processing needs.

Green transition. ASEAN has adopted multiple strategies, on carbon neutrality, circular economy and the blue economy. But progress depends on implementation and monitoring. Sectoral bodies in energy, minerals, transport and agriculture must integrate efforts to maximise synergies including within the broader sustainable growth strategy. Sustainable finance, where ASEAN has already advanced, can also play a bigger role in supporting the green transition agenda. A regional private sector forum focused on the green transition could mirror the ASEAN-BAC and generate practical recommendations and project pipelines.

External strategy for deepening economic integration with existing and new frameworks

ASEAN's external strategy depends on ensuring that its trade agreements deliver tangible benefits. The region now sits at the centre of overlapping frameworks such as RCEP, CPTPP, APEC, and ASEAN+1 FTAs, each with different standards, partners, and expectations. For ASEAN, the challenge is to use these agreements to strengthen supply chains, secure market access, and shape rule-making, rather than letting them drift or be driven by outside powers or become too complex to be utilised optimally. Ongoing processes such as the upgrading of ASEAN+1 FTAs provide momentum, but RCEP, as ASEAN's flagship initiative, remains the clearest test of this capability.

Making RCEP work for ASEAN.

RCEP is ASEAN's flagship achievement in external economic strategy. It consolidated the region's Plus-One FTAs and entered into force in 2022, demonstrating ASEAN's convening power. Conceived in 2011, with negotiations beginning in 2012 to balance the momentum of the then-TPP, its signing in 2020 showcased ASEAN's ability to lead and deliver a mega-regional agreement.

Three years after the entry into force of the RCEP Agreement, the global trading environment has changed dramatically, with the emergence of new issues, and RCEP is now being challenged by geoeconomic tensions. While ASEAN took a strong lead in initiating RCEP and throughout the negotiation years, its leadership since entry into force has been subdued and utilisation low. Where utilisation can be measured, RCEP has been most actively used by the parties that did not have existing FTAs with each other, namely China, Japan and Korea. This suggests that RCEP has created real commercial value in some relationships, but its potential for ASEAN and other partners has yet to be fully realised.

As geostrategic competition intensifies, new trade patterns will emerge. China is keen to take the lead through its active involvement in initiating various RCEP institutions, including the RCEP Business Forum and the RCEP Media and Think Tank Forum. Some ASEAN FTA partners, however, are concerned that RCEP may be politicised in geostrategic competition, for example through posturing as an affront to the United States' unilateral tariff policy.

RCEP can only retain its credibility and broad support if ASEAN, and ASEAN alone, steps up to take the lead. ASEAN must fully leverage the available frameworks at hand. In this regard, the call by Malaysia, the 2025 ASEAN Chair, to convene the 5th RCEP Leaders' Meeting in October 2025 is well timed.

Ensuring effective implementation and utilisation, including to strengthen and diversify supply chains.

Rules of Origin (RoO). Feedback from the private sector and the ongoing discussions highlight that low utilisation of the RCEP, and FTAs more generally, is closely linked to challenges around the rules, themselves. The AGTF recommends to the strengthening of the RoO not only in RCEP but also in the ASEAN Plus One FTAs. Consolidating and harmonising these rules would ensure predictability and transparency, make the rules more supportive of trade facilitation, and reinforce ASEAN's position as a credible and reliable hub in global supply chains.

As a general rule, only goods originating from countries within an FTA can be cumulated towards origin determination. ASEAN should work towards full cumulation in RCEP and the ASEAN Plus One FTAs to cushion the impact of global supply chain disruptions and secure uninterrupted operations. In RCEP, full cumulation is subject to review upon entry into force of the Agreement and should be completed within five years. This process can be accelerated. Among ASEAN FTAs, only the ASEAN-Australia-New Zealand FTA (AANZFTA) uses full cumulation, on a pathfinder basis. The CPTPP, where four AMS and three ASEAN FTA partners are parties, also provides for full cumulation across all parties.

Attempts to include full cumulation in ATIGA have faced resistance. Some AMS argue that ASEAN's RoO are already liberal enough and full cumulation is unnecessary. The AGTF argues the opposite: full cumulation would reduce dependence on single-country sourcing, encourage supply chain diversification, support resilience, and broaden participation, including by MSMEs. Easier origin eligibility would also increase FTA utilization. ASEAN could begin by piloting full cumulation in strategic sectors critical to regional supply chain development as a confidence-building measure, while setting a clear timeframe for its gradual expansion to broader application.

ASEAN and its FTA partners should also consider aligning product-specific rules (PSRs) across all ASEAN FTAs, at least for key product groups in supply chains such as semiconductors and electronics, automobiles including electric vehicles, garments and textiles, and footwear. To operationalise this, ASEAN could establish a Full Cumulation Steering Committee or Task Force — comprising trade, customs, and rules of origin experts — to discuss incorporation of harmonised full cumulation provisions into ASEAN FTAs, as well as explore related issues such as diagonal cumulation, mutual recognition of PSRs with equivalent economic effects, and adoption of alternative co-equal rules where a single criterion applies. The committee or task force should also maintain regular dialogue with the private sector to ensure technical feasibility and industry relevance.

ASEAN should also consider harmonising non-preferential RoO. These rules determine the origin of a product when no preferential tariff treatment is applied. They are used for trade remedies, including safeguards and anti-dumping measures. In the context of recent US tariff policies, where MFN rules have been replaced by country-specific tariffs, non-preferential RoO are increasingly critical for determining applicable tariffs and detecting possible illegal transshipment. While labelling is separate from product origin, under non-preferential RoO the "Made in XX" mark indicates where substantial transformation occurred as determined by national customs authorities. Strengthening the non-preferential RoO could also help prevent illegal transshipment through ASEAN.

Currently, non-preferential RoO are governed by domestic rules, making harmonisation difficult. Multilateral negotiations on the issue have stalled for years, despite clear benefits such as lowering transaction costs and promoting transparency and legal certainty. In the short term, ASEAN should explore options for a regional framework for non-preferential RoO. A pragmatic long-term approach would include agreeing on a set of principles and guidelines that AMS could use to align customs regulations, origin determinations, documentary requirements and verification procedures. Incorporating non-preferential certificates of origin into the ASW and promoting mutual recognition based on agreed principles are also possible steps.

Trade facilitation. Trade facilitation is also key to enhancing FTA utilisation and enabling MSME participation in regional supply chains. Given that RCEP consolidated trade facilitation provisions from the ASEAN Plus One FTAs, this report compares only RCEP and the upgraded AANZFTA Customs Procedures and Trade Facilitation (CPTF) chapters. The two are generally aligned on issues such as advance ruling, release of goods (including express consignments and perishables), pre-arrival processing, and the Authorised Economic Operators scheme. Their differences lie in RCEP's Single Window provisions and AANZFTA's provisions on trade in essential goods during humanitarian crises. For coherence, other ASEAN Plus One FTAs should converge with RCEP and the upgraded AANZFTA.

Enhancing RCEP through bold pathways. Beyond cumulation, non-preferential RoO, and trade facilitation, ASEAN should champion several areas under RCEP's built-in agenda. Some elements are clearly defined in the Agreement, while others require further discussions by specific timelines. The Agreement also mandates a general review within five years of entry into force and every five years thereafter.

Tariff differentials. Among ASEAN FTAs, only RCEP contains provisions on tariff differentials, reflecting differentiated tariff commitments among parties. This article was intended to deter circumvention, but has proven controversial, as RCEP participating countries hold divergent views on its necessity. The provision has also created confusion and administrative challenges in its implementation. Paragraph 7 of Article 2.6 requires a review within two years of entry into force, with a view to reducing or eliminating the requirements and tariff lines subject to differentials. This review is overdue and should be expedited.

RCEP general review. The first review is due in 2027. Preparations should begin now, with ASEAN leading calls for a timely process. The RCEP Joint Committee, supported by the Support Unit or other experts, should develop a clear work plan. The review should be used to advance rule-making in areas where multilateral progress is difficult, namely, subsidies, unfair trade practices, trade remedies, security exemptions, the digital and green economy, circular economy, supply chain resilience, and trade in times of crisis. ASEAN can draw on its updated agreements, including ATIGA, DEFA, AANZFTA, ACFTA 3.0, and CPTPP, as references.

Expanding accession. RCEP was designed as an open and inclusive agreement, but accession discussions have moved slowly, hampered by geopolitics. Hong Kong SAR, Chile, Bangladesh and Sri Lanka have expressed interest. ASEAN must safeguard its role as guardian of the accession process by ensuring that decisions are merit-based and follow the accession procedures including its supplementary documents. Managed well, accession could expand RCEP's scope, increase its economic weight, and demonstrate ASEAN's role in keeping the arrangement inclusive.

Positioning ASEAN in the regional trade architecture.

ASEAN's role in the regional trade architecture extends beyond RCEP. Whilst RCEP remains a core platform, but its influence depends on how it connects with other frameworks rather than as a stand-alone agreement. It should function as both a shield against fragmentation and a springboard for new initiatives.

With the CPTPP, ASEAN can draw on higher-standard provisions on state-owned enterprises, labour, environment and digital trade to guide upgrades across its agreements, positioning CPTPP and RCEP as complementary layers of integration. Work undertaken under the United States-led Indo-Pacific Economic Framework for Prosperity (IPEF) in recent years presents an opportunity to anchor regional supply chain talks. The framework's supply chain pillar and agreed principles provide a ready foundation, which ASEAN can adapt rather than build from scratch. Linking IPEF's rule-making on supply chains and the clean economy with ASEAN's market access commitments would create a more coherent regional agenda and build on previous discussions.

At the multilateral level, ASEAN can use its regional experience, from RCEP, CPTPP engagement and IPEF participation, as a testing ground for new disciplines. These can feed into WTO reform when conditions allow, positioning ASEAN as a bridge between regional practice and global rules.

2.3. Reinforcing Multilateralism, Repurposing ASEAN Mechanisms

Comprehensive regional security (CRS) is based on the pillars of peace, prosperity and resilience which is already embedded in the ASEAN mechanisms including the three pillars of the ASEAN Community. While there is a strong base from existing mechanisms in ASEAN, it was not designed to address the geopolitical challenges the region faces today.

CRS should provide the foundation for a new regional framework that can reinforce multilateralism, economic interdependence and open regionalism and an inclusive and integrated approach to collective security. What is missing is an overarching political consensus among regional stakeholders to commit to these forums and mechanisms as the basis for resolving conflicts, in the pursuit of prosperity, through open trade and investment; and forging trade and investment rules that provide the balance between prudent consideration of national security while promoting open and competitive markets, and secure peace through interdependence.

In the previous chapter the focus was on open regionalism, here the focus is first on the role of ASEAN in reinforcing multilateralism and second how ASEAN mechanisms and institutions could be made more fit for purpose.

ASEAN's Agency in Reinforcing Multilateralism

As pointed out above, the ASEAN Comprehensive Security Approach of peace, prosperity and resilience succeeded in the past because of confidence in the functioning of the rules based multilateral order. Therefore, in facing the uncertainties, strengthening multilateral economic rules, should be prioritised, especially where they intersect with national security and where new issues need to be addressed.

Multilateral system in crisis. The multilateral trading and economic system face its deepest crisis since the creation of the World Trade Organization (WTO) in 1995. The consensus principle, once a source of legitimacy, has become an obstacle to reform. Attempts to update the WTO to reflect digital trade, global value chains, and sustainability have failed to gain traction. The Doha Round collapsed, and the Appellate Body has ceased to function, leaving the dispute settlement system paralysed.

For ASEAN, which has built prosperity on global integration and predictable rules, this is not a distant development but a direct threat. The erosion of trust in multilateralism coincides with rising use of trade and technology restrictions as instruments of statecraft. Economic vulnerabilities now translate quickly into strategic exposure. ASEAN must therefore treat the crisis in trade governance as both an economic and security issue.

The logic of CRS offers a way to approach this challenge. CRS recognises that economic resilience, political stability, and security cooperation are mutually reinforcing. For ASEAN, trade rules are not just about market access but about maintaining strategic autonomy and safeguarding its role in regional order.

ASEAN's integration into global value chains has created strong interdependence with both China and the United States, leaving members exposed when rules falter. The paralysis of the WTO reflects not only institutional inertia but also the difficulty of reconciling the rise of new powers with existing structures. China's willingness to give up blanket claims to Special and Differential Treatment is an encouraging sign, but it does not resolve the broader imbalance. The United States, meanwhile, shows little appetite to resume its former role as guarantor of the system. ASEAN must therefore find ways to keep trade governance functioning, even under these constraints.

ASEAN can play a role in joint advocacy of WTO reforms in Geneva and can further support other developments on plurilateral front, as well as new issues.

Plurilateralism and regionalism as stepping stones

One practical response is to embrace open plurilateralism made up of coalitions of the willing. ASEAN can join other regional or plurilateral agreements with the aim of moving different issues forward. They can act as building blocks in the absence of any multilateral rules or negotiations on those issues. For instance, the CPTPP binds members to high standards on services, investment, and intellectual property. The Digital Economy Partnership Agreement (DEPA) between Singapore, New Zealand, and Chile has become a model for digital trade, with ASEAN's DEFA expected to follow. The Multi-Party Interim Appeal Arbitration Arrangement (MPIA), joined by 55 WTO members, provides a stop-gap appellate mechanism in the absence of the WTO Appellate Body. Climate clubs among G7 and EU members, and between the EU and China, aim to discipline carbon subsidies.

These initiatives are messy and partial, but they keep integration alive, preserve dialogue, and sustain a rules-based ethos where universal consensus is out of reach. Froman (2024) calls this "open plurilateralism" — coalitions of the willing, open to accession by others, advancing rules where full multilateralism cannot. Pangestu (2025) describe this approach as **"**constructive incrementalism**"** which translates to moving forward where progress is possible, often with like-minded partners, while keeping the broader regional and multilateral goals in view.

ASEAN sits at the centre of this shift. The recent scramble to negotiate reciprocal tariffs with the United States illustrates the danger of fragmented responses that leave smaller members exposed and weaken ASEAN centrality.

At the same time, ASEAN has shown that regional frameworks can extend global rules when the multilateral system falters. Covering 30 per cent of global GDP and trade, RCEP demonstrates that regional cooperation can carry integration forward. Alongside CPTPP, it provides building blocks or a template for eventual multilateralisation and helps insulate ASEAN from the costs of fragmentation.

Participation in plurilateral arrangements can also provide ASEAN members with leverage in dealings with major partners. Australia's success in contesting Chinese tariffs on barley and wine under WTO rules, backed by MPIA, is instructive. For Southeast Asian states exposed to geopolitical risks in the South

China Sea, rules-based mechanisms matter not only economically but strategically.

The case for ASEAN leadership is both economic and strategic. Trade and security are now inseparable. Export bans, technology controls, and supply chain restrictions are deployed as instruments of statecraft. Critical minerals, semiconductors, and energy transition technologies lie at the heart of both prosperity and security. ASEAN's founding logic in 1967 was that economic cooperation would underpin stability. Today, the reverse applies: without credible security cooperation, economic integration cannot endure.

Collective action and economic security

The danger for ASEAN lies in fragmented responses. The scramble by individual members to negotiate reciprocal tariff deals with the United States illustrates how acting alone weakens ASEAN's collective bargaining position and undermines centrality. CRS highlights the need for coordinated approaches that prevent external partners from exploiting divisions.

Rules of origin and transshipment provide a clear example. Allegations of origin fraud risk punitive tariffs and reputational damage. As already discussed above, a collective ASEAN mechanism for certificates of origin, enforcement through the ASW, and joint monitoring would both reassure partners and protect ASEAN's own supply chains.

Beyond the definition, economic security concerns extend further. ASEAN can work on shared definitions of critical sectors, undertake information exchange and dialogue on the impact of third country's actions on the relevant supply chains as well as any measures or planned measures that AMS consider taking. Such transparency and consultation exercise would help prevent unilateral actions that fragment markets. Some critical supply chains such as semiconductors, rare earths, and clean energy technologies may also benefit from a regional risk-assessment framework. Aligning these measures with WTO disciplines would demonstrate ASEAN's commitment to rules while recognising legitimate security needs.

Digital trade as the first step. Digital trade is where ASEAN can demonstrate leadership most visibly. The DEFA plays a vital role in accelerating inclusive digital transformation by offering tangible benefits to businesses and peoples. The agreement facilitates the cooperation in the areas of cross-border e-commerce, online safety and consumer protection, digital trade, digital ID and authentication, cross-border data flows and data protection, competition policy, talent mobility cooperation, and digital payments. Incorporation of DEFA-consistent provisions in the general review of RCEP would strengthen interoperability of ASEAN digital ecosystem with that of other RCEP parties and establish ASEAN as a hub for the greater regional digital value chains. Digital trade rules enhance competitiveness and reduce vulnerabilities linked to cyber threats, allowing ASEAN to take a more holistic approach to security. Further, through ASEAN DEFA, ASEAN will help to set region-wide standards, offering a useful reference for broader alignment including in the context of RCEP general review.

Revisiting ASEAN mechanisms and institutions

ASEAN has built many mechanisms and institutions in its almost six decades. CRS is made up of the three elements of peace, prosperity and resilience. ASEAN in fact has these three pillars in the ASEAN Community but the pillars tend to be functioning separately and not integrated into one comprehensive security concept. The pillars need to be coordinated, complement and reinforce one another, and not work in silos.

Cross-pillar coordination has long been recognised as important. Some mechanisms already exist but remains under-utilised. ASEAN has the mandate, under Article 8(2)(c) of the Charter and Strategic Measure E of the APSC Strategic Plan, to improve coherence across pillars, the challenge is to ensure that such effort can be done effectively from a community-wide perspective. Practical steps could include:

- Using the ASEAN Coordinating Council (ACC) more strategically, which already has the mandate, to deliberate on pressing cross-cutting issues.
- Ensuring that the ACC is supported with adequate inputs on these issues. Given the expected intensifying geopolitical and geoeconomic dynamics in coming years, ASEAN may consider the need for continuity of the Joint AMM-AEM meeting to deliberate on these issues, at least for the next 2-3 years. The Joint AMM-AEM can deliberate on geopolitical and geoeconomic related issues and may be supported with inputs from the appropriate track 1.5 and other relevant engagements. It will then be able to task respective sectoral bodies to take into consideration geoeconomic agenda at the various levels including but not limited to the HLTF-EI. These sectoral bodies, however, must be adequately equipped when tasked to consider this in their agenda.
- Considering the best option to ensure adequately informed and holistic technical inputs to support deliberation at the ministerial level (whether Joint AMM-AEM or strengthening ACC), this may include the option of continuing the ASEAN Geoeconomic Task Force (AGTF) for a finite period or have another cross-pillar working body or Task Force to engage and provide inputs and report to both pillars, including to the Joint AMM-AEM.
- Equipping the Committee of Permanent Representatives with cross-pillar representation and expertise, as well as support from the Secretariat, to deliberate on cross pillar issues as assigned to them.
- Reviewing the practice of separate country coordinators for political security and economic tracks with dialogue partners, in favour of more centralised or coherent arrangements.

Such measures would be more effective if anchored in a clear framework for comprehensive regional security that includes economic security. Both the ASEAN Charter and the Treaty of Amity and Cooperation provide the legal basis. However, ASEAN must resist the temptation of another protracted framework exercise.

The new initiative to have a joint AMM and AEM meeting at the Summit is a welcome and historic initiative to bring the economics and security pillar together. This probably marks it as a first in ASEAN Ministerial meetings processes, and it will be key to identify the key items in the agenda and to ensure it is supported by SOM-SEOM processes combined with Track 1.5 and other inputs and engagements. It would be a good forum to discuss about the CRS and concrete ideas such as frameworks for resilient and secured supply chains in areas of non-traditional security threat such as food and energy security and/or where the economics security nexus is particularly complex, such as semiconductors and the digital economy.

There is also the need for enhanced coordination between the Finance and Economic Ministers process to foster more holistic discourse on geoeconomic challenges. This is because of the broad macroeconomic implications of current uncertainties, affecting growth, trade, investment, financial flows, sectoral dynamics, exchange rates, and interest rates, as well as the issue of financing sustainable development. To effectively navigate the evolving global landscape and bolster regional resilience, it is critical to create synergies and leverage intra-pillar initiatives, ensuring that all available tools and levers are strategically utilized. This could involve embedding agenda items within each track to explore specific scenarios which may require the convening of joint platforms to address how financial initiatives can reinforce the broader economic pillar's efforts in addressing geoeconomic issues. There may be a need for a discussion to determine the most effective mechanisms for fostering intra-pillar collaboration on matters that demand joint action from both tracks.

ASEAN also faces the classic challenge of ambition without focus. A Secretariat mapping exercise with Growth Gateway-BCG identified more than 900 initiatives aligned with AGTF recommendations. The problem is clearly not a lack of ideas but rather the ability to prioritise and implement them. Chairmanship cycles often drive short-term deliverables, while strategic projects that require multi-year commitment languish. A credible prioritisation exercise is needed, concentrating on a smaller number of high-impact initiatives supported consistently by the Secretariat, sectoral bodies, country champions and stakeholder process such as private sector and track 1.5 initiatives. Given the large number of existing initiatives, priority should be given to delivering and monitoring current commitment before launching new frameworks or initiatives. Any new proposals should be accompanied by a clear implementation roadmap and accountability mechanism.

The credibility of the new AEC Strategic Plan 2026-2030 would be strengthened by ensuring that it builds on the unfinished agenda of the 2015-2025 Blueprint. The Plan was released before the final assessment of the previous Blueprint, which is ongoing. Effective socialisation of the transparent stocktake of results and lessons learned to the stakeholders once the End Term Review and Impact Assessment of the AEC Blueprint 2025 have been finalised would help ensure that the new Plan translates aspirations into concrete, and implementable outcomes, as well as monitoring the outcomes.

Adequate resources are key to implementation. Resource mobilisation in the current economic environment will be challenging, as both member states and dialogue partners are more cautious. When ASEAN relies fully on its external partners to deliver on its initiatives, this carries the risk of lack of ownership and sustainability. Delivering on ASEAN priorities requires broadening and being bolder and more innovative on the financing sources, including voluntary contributions from wealthier ASEAN members and early involvement of the private sector in project design.

Implementation and monitoring of dispute settlement are also critical. Too many commitments remain unfulfilled, and ASEAN's Enhanced Dispute Settlement Mechanism has never been used. Demonstrating a willingness to resolve disputes internally, while encouraging participation in interim mechanisms such as the MPIA, would signal seriousness. Peer review, modelled on APEC, could shift monitoring from simply counting activities to assessing outcomes, strengthening accountability across ASEAN initiatives.

2.4. Delivering Ambitious Goals

This is the moment to be ambitious and bold, to turn crisis into opportunity. Real progress and transformation in ASEAN will only come if the region is prepared to set ambitious, or even audacious goals. Among the priorities worth serious consideration is the following.

This report has discussed exhaustively the actions that ASEAN should take both in the short term and in the medium to long term. Many are existing commitments, requiring push on the implementation, others are new or requiring new ways of working. But in the face of a changing world, ASEAN needs to take bold actions that are transformative. Below are three non-exhaustive bold actions for consideration.

The first is an old idea worth reviving: a common external tariff for ASEAN. Such a step would deepen integration and unlock freer movement of goods within the region. This should be subject to thorough consultation with the private sector and phased after demonstrable progress in implementing existing agreements and reforms.

Establish Common External Tariff
ASEAN does not currently have a common external tariff (CET) as it is not a customs union. While tariffs within ASEAN have been virtually eliminated, Member States retain control over the tariffs charged on goods from countries outside the region. To an extent, this places limit to ASEAN's ambition of becoming a single market. Establishing CET is not a new idea in ASEAN but it has never been pushed through given the complexity around differing tariff structures across AMS and consideration of issues such as revenue. The implementation of this idea should be subject to rigorous political economy analysis with phased implementation and option mechanisms where full consensus is not possible. Singapore and Brunei have eliminated most of their tariffs while the remaining 8 AMS retain varying levels of tariffs. However, experiences in other regions have shown different ways of establishing a customs union, allowing for exemptions and/or a gradual approach. ASEAN can consider an innovative and phased approach to introducing CET, starting with priority sectors that rely on global and regional supply chains for inputs not otherwise produced competitively in the region. Potential products can be identified in the prioritised sectors, taking a value chain perspective and with a clear framework and criteria. Additionally, to navigate different tariff structures in ASEAN and given Singapore and Brunei's open markets, where complete elimination of external tariffs is not possible ASEAN can consider a two track CET with zero tariffs for Singapore and Brunei and a CET for the rest of ASEAN that can gradually move towards zero. Finally, the question of revenue is a sensitive issue that needs to be considered. While revenue sharing may be a

challenge, administratively and otherwise, ASEAN may consider options such as the

The second is a coherent ASEAN industrial policy. The reconfiguration of global supply chains under fragmentation and the economic security agenda creates a strategic opening. ASEAN must capture higher value added, drive localisation and "ASEAN-isation" of supply chains and deliver quality jobs. The private sector is already moving in this direction, including through proposals for an ASEAN supply chain council, ASEAN should leverage this rather than focusing efforts on more grand strategy. This is a natural area for closer collaboration between governments and business with the principles of facilitation and incentivisation.

ASEAN Industrial Policy

ASEAN economic integration has to date taken a strong trade focus: ASEAN Economic Ministers (AEM) are essentially all trade ministers. But to add more value to trade, ASEAN needs to have strong industries that can produce more complex products, adding more value and jobs to the region's economies. Given differing levels of development, endowment, size, and capacity, AMS are at different stages of industrialisation. Complementation rather than convergence is the goal, with a focus on leveraging the region's collective competitiveness, promoting technology adoption, skills development, and value chain upgrading, strengthening domestic and regional supply chains and local economic linkages, and most importantly creating quality jobs. All these need to be done in a way that respects the workers, local communities and the environment and providing inclusive opportunities.

The Report has explored ASEAN's previous industrial cooperation and sectoral integration initiatives, their successes and failures. Next, ASEAN should act on its industry development objectives but should do so in a concrete and holistic manner. Rather than focusing on another grand but general strategy, ASEAN should zoom in on several strategic sectors that are value-chain driven such as semiconductors and critical minerals, bring in industry players and experts to map out the region's ecosystem in these sectors so as to understand where capacity exists or can potentially be developed.

Such a strategy should be encompassing, covering investment and trade facilitation, talent development and labour and skills mobility, market intelligence, business matching, and domestic deregulation. Crucially, it should be formulated in close consultation with industry players rather than a government-to-government exercise. Regional approach brings value by convening a stronger and more representative industry voice, ensuring that the initiatives are informed by businesses' priorities and realities, organically strengthening industry networks and ecosystem, and leveraging industry complementation in ASEAN.

There are existing frameworks that ASEAN can build on to kick start the process including the ASEAN Industrial Project Based Initiative and ASEAN-BAC's

ASEAN Supply Chain Council and proposal for an ASEAN Business Entity. At the same time, policies can be coordinated through relevant ASEAN sectoral bodies on trade facilitation, standards, investment, services, and followed by domestic follow-up implementation.

The third is a shift in mindset on implementation. Implementation cannot be reduced to the delivery of outputs whether in the form of documents or strategies or framework. Compliance must be seen not from the perspective of sectoral bodies complying with the targets set in their plans but be stretched further to see if AMS then are implementing reforms and taking actions to operationalise their various commitments as detailed in the ASEAN documents. It must mean effectiveness — backed by rigorous monitoring and evaluation, with a focus on impact.

Taken together, these goals point to where ASEAN should direct its energy, resources, and political commitment. They offer a priority agenda for turning the current crisis into an opportunity for long-term transformation.

Result-based Progress Monitoring for Impact

ASEAN is under pressure to demonstrate results, as stakeholders are waiting for evidence of implementation and impact from the numerous adopted frameworks, strategies, and declarations. ASEAN must therefore refocus its progress monitoring from one that is output based — where progress or achievement is centred around the adoption or endorsement of a document — to one that is implementation based, with clear and measurable indicators, independent review mechanisms, and regular public reporting. Lessons from past implementation failures should inform the design of new monitoring frameworks.

To start, ASEAN can focus on monitoring and reporting implementation progress and outcomes of key initiatives, the prioritisation of which can shaped through private sector and broader stakeholders' consultations. This would also facilitate more meaningful communication of ASEAN progress to stakeholders through concrete articulation of implementation progress and outcomes achieved, rather than progress reporting from a more official lens of a long list of annual priorities of the relevant sectoral bodies.

Post-adoption monitoring should be done even on non-legally binding frameworks or strategies and even when follow up needs to be done at the national level, and it can focus on a core area of AEC agenda e.g. market integration focusing on goods (including trade facilitation and non-tariff measures), services, investment and possibly digital connectivity, covering not only the commitments in the legal agreements but also agreed workplans and frameworks (ASEAN Services and Investment Facilitation Frameworks, Work Plan on the Implementation of ASEAN Agreement on Electronic Commerce), as well as a sectoral or thematic approach. ASEAN can learn from the experience of other fora such as APEC, where member economies are required to report on their respective progress of implementation of an agreed blueprint based on a pre-defined template or even from within its own sectoral bodies where peer review process is a practice such as in the case of the Coordinating Committee on Investment.

ASEAN Secretariat should remain as the custodian of ASEAN Community monitoring, and where external support is sought or commissioned, they should still be further validated by the relevant analysis and monitoring units. ASEAN Secretariat must have the independence to report on their objective assessment of progress, with relevant Member States given the opportunity to respond to or comment on the assessment and be required to participate in peer review process. This will allow for triangulation while preserving the independence of the Secretariat's assessment akin to the approach taken by the WTO Trade Policy Review process. In addition, such monitoring can be supplemented by institutionalised and regular feedback by the private sector such as the ASEAN-Business Advisory Council and other business councils as well as industry associations and through direct feedback from users of ASEAN platform. It should also involve the broader stakeholders, including but not limited to research institutions in the ASEAN-ISIS network and other experts and institutions that are focusing on relevant work to ASEAN as well as knowledge partners such as ERIA, international organisations, the International Chamber of Commerce, relevant UN agencies, and other industry- or issue-specific institutions.

Conclusion

Advancing ASEAN's Agency and Centrality

This round of great power rivalry presents ASEAN with unprecedented challenges, unfolding in a region already deeply embedded in an interconnected ecosystem and where the frontiers of geostrategic competition continue to expand. The multiplier effects of these dynamics amplify the impacts of external shocks and limit the scope for any member state to insulate itself from their consequences. These are not challenges confined to the economic domain. They extend to security, technology, political, and social spheres, making cross-pillar coordination essential. National responses alone are insufficient without regional alignment that connects economic, political-security, and socio-cultural pillars in a coherent framework.

ASEAN faces both immediate impacts, such as the direct and second-order effects of tariff policies, and deeper structural challenges linked to the weakening of the rules-based multilateral order. The bloc is not immune to the repercussions of great power rivalry, and any erosion of multilateral norms would place its economies at a disadvantage while also creating political and security risks. While some actors may perceive short-term opportunities, these are often illusory. In the long term, there are no winners in a system where might dictates outcomes. This reinforces the need for ASEAN to bridge the economic–security nexus in its policymaking, ensuring that trade, investment, and technological policies also safeguard critical supply chain connectivity, food and energy resilience, and the digital economy.

Harmful policies by external partners, fragmentation trends, and broader global uncertainties slow investment, divert trade, and reduce economies of scale, raising costs and constraining growth. Rising living costs, limited job opportunities, and widening inequalities risk fuelling domestic discontent. These pressures are compounded by megatrends such as climate change, ageing populations, rapid technological change, and future pandemic risks, which interact with the erosion of global cooperation to affect both economic performance and societal stability.

ASEAN's response must therefore integrate domestic reforms with regional coordination across pillars. This includes targeted deregulation, streamlined trade procedures, resilient supply chain strategies, and proactive policy adjustments that strengthen domestic capacity while complementing collective initiatives on security and stability as well as strengthening economic integration. Addressing food and energy security, embedding risk management into supply chain connectivity, and protecting critical infrastructure are areas where coordinated approaches can deliver both economic and security dividends.

Successfully navigating this environment requires a decisive shift from business-as-usual pillar-focused approaches, a sharp focus on implementation and impact-driven prioritisation, and disciplined monitoring through verification and stakeholder feedback. Most relevant mandates and mechanisms already exist; the difference lies in ensuring they are fully and optimally operationalised, accelerating priority actions, and strengthening coordination across economic, financial, political-security, and trade pillars, introducing complementary measures or mechanisms where needed. Integrating domestic reforms with regional measures, such as enhancing rules of origin and coordinating on origin verification enforcement, digital trade connectivity, sector-specific supply chain initiatives, and mechanisms for crisis response, will build resilience against external shocks while reinforcing both economic and political stability within member states. In the near future, linking with the socio-cultural pillar on issues of socio-economic development should also be explored as MSMEs, workers, and low-income groups are at the forefront of the impact of economic and supply chain disruptions.

ASEAN's position today as a strategically significant region, committed to open and rules-based multilateralism, comes with heightened expectations of agency in shaping both regional and global governance. The current environment, while challenging, presents an opportunity for ASEAN to assert leadership — demonstrating that it can coordinate effectively across domestic and regional fronts, safeguard economic and security stability, enhance supply chain robustness, and advance rule-making that strengthens its central role in the evolving regional and global order.

Summary of Recommendations

Managing short-term risks	**Illegal transshipment and rules of origin (RoO)**	Develop a coordinated ASEAN approach on substantial transformation and transshipment to safeguard the integrity of origin certification and ensure fair treatment of ASEAN exports.
		Establish a regional monitoring and consultation mechanism to manage transshipment risks.
		Explore a joint task force or structured dialogue with key partners to align regional rules of origin (RoO) standards that safeguard ASEAN interests, including recognition of regional cumulation and cooperation on origin verification to support legitimate ASEAN origin claims.
	Spillover effects & contagion	Develop joint ASEAN message on disproportionate impacts of tariffs on LDCs and labour-intensive sectors
		Regionalise/plurilateralise bilateral concessions to affirm WTO non-discrimination and prevent contagion or retaliation
		Ensure coherence between bilateral deals and ASEAN-wide frameworks to safeguard ASEAN Centrality and integration agenda
	Trade diversion risks	Assess sufficiency of current trade remedy mechanisms; strengthen if needed
		Develop ASEAN guidelines to promote disciplined and transparent use of trade remedies, strengthen consultation and coordination among Member States, and prevent intra-ASEAN escalation or misuse of such measures
		Establish a regional consultative mechanism to discuss and coordinate trade remedy measures

Building regional economic integration & resilience	**ASEAN internal strategy for regional demand and global value chains**	Fast-track implementation of ATIGA upgrade: ensure swift ratification and entry into force and effective socialisation to business (both on improved and new provisions)
		Timely conclude DEFA and ensuring its swift entry into force, while continue accelerating broader digitalisation (incl. alignment to UNCITRAL standards)
		Streamlining non-tariff measures (NTMs) with greater compliance of notification requirements, more effective utilisation of existing tools and enforcement and systematic monitoring/ regular reporting, ensuring a clear follow up process
		Continuously improve ASEAN Single Window (ASW), expanding document types, set deadlines for AMS onboarding, publish utilisation data while

		also ensuring systems interoperability prioritising integration with other partners
		Strengthen concrete cooperation in key sectors (e.g., semiconductors, minerals, EVs) with clear plans, KPIs, and stronger industry engagement.
		Utilise existing frameworks (e.g., AIPBI and ASEAN-BAC led ABE) to advance a coherent ASEAN industrial policy, complementing trade-led integration with industry-driven competitiveness.
		Strengthen finance cooperation, more closely coordinated with the economic / trade track and sectoral priorities to accelerate ASEAN's sustainability and digital agendas
	External strategies for deepening economic integration	Make RCEP deliver: ASEAN should lead full implementation, boost utilisation, advance the built-in agenda, address tariff gaps, move towards full cumulation, align with upgraded ASEAN+1 FTAs, and prepare for the 2027 review. While managing RCEP accession credibly, on merit, and in line with agreed procedures.
		Increase awareness and utilisation of existing FTAs/ tools
		Explore phased, innovative Common External Tarriff (CET) starting with priority sectors, with two-track model

Reinforce multilateralism, repurposing ASEAN mechanisms	**Reinforce multilateralism, plurilaterlism & regionalism**	Joint advocacy in WTO reform (esp. digital trade, subsidies, unfair practices, services, dispute settlement, economic security)
		Develop shared ASEAN definitions of "economic security" and critical sectors
		Embrace open plurilateralism (coalitions of the willing) to advance rules as stepping stones for future multilateralisation
	ASEAN mechanisms & institutions	Take concrete steps to strengthen Cross Pillar coordination: including by using the ASEAN Coordinating Council more strategically, and consider other mechanisms
		Institutionalise or at least continue Joint AMM-AEM meetings for the foreseeable future in light of growing economic security nexus.
		Equip the CPR with cross-pillar representation, expertise, and Secretariat support to address cross-pillar issues.
		Consider establishment or institutionalisation of a cross-pillar mechanism to support and provide input and recommendations on geopolitical and geoeconomics issues to the Joint AMM AEM

		Review ASEAN's current practice of separate country coordinators for political-security and economic tracks with partners to ensure coordination and coherence.
		Strengthen ASEAN Secretariat resourcing and analytical and monitoring capacity including on cross pillar issues
		Stronger monitoring of implementation of commitments, beyond adoption of ASEAN documents or agreements, particularly of the required follow-up by AMS

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